



**ROLE OF SMALL INDUSTRIES DEVELOPMENT
BANK OF INDIA (SIDBI) IN THE PROMOTION
OF ENTREPRENEURSHIP IN U.P.**

ABSTRACT

**OF THE
THESIS**

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BY

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ABSTRACT

The word 'entrepreneur' has an interesting history and it appeared first in French, long before the emergence of any general concept of entrepreneurial function. In the early sixteenth century man engaged in leading military expeditions was referred to as entrepreneur. In simple words it can be explained that the term entrepreneur was used for army leaders. In the 17th century it was extended to cover civil engineering activities such as construction of road, bridge and harbour and fortification contractors. The same term was later applied to architects. In the early 18th century Cantillon R., defined entrepreneur as a person or dealer who buys factors services at a certain prices in the future.

Entrepreneurship is an action plan to create an entrepreneur with achievement motivation, who can develop business, can take strategic decisions, can successfully cope with business environment and can assume business risks. It is programme for the training of entrepreneurs. There are three phases of entrepreneurship development. The initial phase of creation of awareness about entrepreneurial opportunities based on survey, the development phase of implementation of training programmes to develop motivation and managerial skills and the support phase for providing infrastructural support and counselling to establish a new enterprise and develop the existing units. The institutional infrastructure support of our country is vast and consist of institutions providing entrepreneurial awareness, organizing entrepreneurship development programmes, and motivation programmes providing financial support, dealing with marketing problems, providing consultancy and education in Entrepreneurship, conducting research in the area and so on and so forth.

Soon after independence, India's economic plans envisaged the setting up of a wide spectrum of industries as a crucial development strategy to acquire self sustaining economic growth, which would require massive

capital. In a developing country like India, industries could no longer offer to the just one man show.

The Industrial Policy Statements, 1977, paid special attention to the units in the tiny sector. In these units' investments in machinery and equipment was upto 1 lakh, but subjected to the locational restriction. They shall be situated in towns with a population of less than 50000 according to 1971 census figure. The policy envisaged the drawing up of schemes for making available margin money assistance i.e. investment ceiling in tiny industries was increased upto Rs. 5 lakh in 1990. However, the conditions apply. According to Industry Policy Statement, 1951, the tiny enterprises would be entitled to preference in land allocation, power connection, and access to facilities or skills/technical upgradation. The tiny enterprise would be eligible, in addition support on a continuous basis including easier access to institutional finance, priority in the Government purchase programme and relaxation from certain provision of labour laws.

An Industrial unit in which the investment in fixed assets in Plant and Machinery does not exceed Rs. 25 lakh, irrespective of the location of the unit is defined as Tiny Enterprise.

After Enactment of MSMED Act, 2006 which has come into force 2nd October, 2006. The earlier concept of 'Industries has been changed to Enterprises'.

Enterprises has been classified broadly into:

(a) Manufacturing Enterprises: They have been defined in terms of investment in Plant and machinery (Excluding land and building) and further classified into:

- Micro Enterprises-Investment up to Rs. 2.5 lakh.
- Small Enterprises-Investment up to Rs. 2.5 lakh and up to Rs. 5 crore.
- Medium Enterprises-Investment above Rs. 5 crore and up to Rs. 10 crore.

(b) Service Enterprises: They have been defined in terms of their investment in Equipment (Excluding land and building) and further classified into:

- Micro Enterprises-Investment up to Rs. 10 lakh.
- Small Enterprises-Investment up to Rs. 10 lakh and up to Rs. 2 crore.
- Medium Enterprises-Investment above Rs. 2 crore and up to Rs. 5 crore.

Precisely, finance is to industry what blood is for body and the leading financial Institutions act as blood banks to the ' large and medium scale sectors. The transfusion of blood enriches the recipient but does not impoverish the donor. Financial support from institutional sources is not only essential for the growth of industry but is perhaps even necessary for its very survival. When finance is easily available, industrial development can be accelerated as the participation.

The main difference between small scale and cottage industries are:

1. Small Scale Industries are generally located as separate establishment while cottage industries are mainly associated with agriculture and allied activities and provide rural employment.
2. Small scale industry employ wage earning labour and production is done by the use of modern techniques of production while in cottage industries no wage earning person is employed. A few cottage industries, which are export oriented, have been included in the category of small-scale industries so that they can avail facilities provided to small units.
3. Small scale industries produce mainly merchandize equipments employing outside labour. While the cottage industries involve operations generally with the help of the members of the family manually.

4. Small scale sector is capital intensive while in cottage industries there is negligible capital investment.

The SSI sector traditionally occupies a prominent position in the national economy in terms of its size, spread, production, employment generation and balance regional development. It is a well established fact that the SSI plays an important role in the promotion of entrepreneurship. The growth of the sector has a catalytic effect on the overall growth of the entrepreneurs and ultimately the economic growth of the country. As per the Govt. of India's Tenth Five Year Plan (2002-07) achieving and sustaining high growth rate and employment will require sharp rate industrial and services growth.

Entrepreneurship development may be referred as an action plan to create an entrepreneur who can develop business, take strategic decisions, can successfully cope with the business environment and can take business risks. It is aimed at socio-economic development, creation of employment opportunities, creation of entrepreneurial qualities among people poverty alleviation and creation of business culture among community. It generates motivation for the development of entrepreneurial competencies among prospective entrepreneurs.

Small and Medium Enterprises (SMEs) play a predominant role in most developed and developing economies not only because of their number and variety but also due to their involvement in all segments of the economy. Their contribution to regional development, their complementary role to support the large sector, and being a basis for innovations and adaptations are widely acknowledged. SMEs in most countries make up the majority of businesses and account for the highest proportion of employment. They produce about 25% of OECD exports and 35% of Asia's exports (Fisher and Reuber, 2000). SMEs account for a considerable share of industrial enterprises, employment and production and therefore, occupy a place of strategic importance in Indian economy as well.

A 'small scale industrial unit' is impressive for the following reasons:

- (i). It is generally a one - man show
- (ii). It is managed in a personalised fashion.
- (iii). It has a lesser gestation period when compared to its large -scale counterpart.
- (iv). Its scope of operation is generally localised in catering to the local and regional demands.
- (v). Small scale units use indigenous resources and hence can be located anywhere subject to the availability of resources.
- (vi). Generally it is labour - intensive.
- (vii). It is more change - susceptible, highly reactive and responsive to socio-economic conditions when compared to large - scale units.

This becomes evident in larger plan allocations to the small scale units and in wide ranging incentives and support programmes. Under the various industrial policy resolutions, the main role assigned to these small industries envisages,

- a) Creation of employment opportunities on a massive scale with relatively small capita investment.
- b) Meeting a substantial part of the increased demand for consumer goods and simple producer goods.
- c) Facilitating the mobilization of local resources which would otherwise remain unutilized in the rural areas and
- d) Removal of regional imbalances through a deliberate policy of encouraging growth in, villages and small towns.

The following are the main problems and issues of the study:

- 1. Lack of support from male members (of the families) as well as banks
- 2. Large magnitude of the target group of poor people
- 3. Attitudinal rigidities
- 4. Difficulty in creating awareness among people
- 5. Limited resources with the NGOs

6. Large requirements of training and sensitization of issues
7. Limited number of experienced intervention agencies
8. Diversities of situations due to wide coverage

The following are the main **aims and objectives** of the study:

1. To identify the different sources of financing for entrepreneurship development.
2. To assess the problems of SSIs and entrepreneurs in availing term loans from financial institutions.
3. To examine the problems faced by entrepreneurs in getting their capital requirements from financial institutions.
4. To identify and analyse the role of Small Industries Development Bank of India (SIDBI) in promotion of entrepreneurship in U.P.
5. To suggest suitable measures to improve the role of SIDBI in the promotion of SSI and entrepreneurship in U.P.

In order to substantiate the above objectives the following hypotheses have been framed:

- H₀₁** Finance acts as a constraint in the growth of entrepreneurship in U.P.
- H₀₂** SIDBI with its tremendous potential can slowly solve the problem of finance of entrepreneurs in U.P.
- H₀₃** The institutional arrangements for credit to small scale industries in the U.P. have not been satisfactory.
- H₀₄** The supply of credit to SSIs in U.P. had not been significant in relation to the targets.
- H₀₅** The utilisation of credit by SSIs has not been satisfactory.

The Small Scale Industries Development Bank of India has been a pioneer in the field of small scale industries and development of entrepreneurship in India. It is an important financial institution in India with regard to entrepreneurship development. The scope of study is to highlight the working of SIDBI in the promotion of entrepreneurship and SMEs in the state of Uttar Pradesh. SIDBI is one of the best managed financial institutions

working for the development of entrepreneurship. Hence, it was made to study the role of SIDBI in the promotion of entrepreneurship in U.P. The researcher has considered the Entrepreneurship Development, the Small Scale Industries (SSIs), Micro, Small and Medium Enterprises (MSMEs) and SMEs as same. Until 2005 the SMEs were under the purview of the SSIs but after the enactment of the MSMED Act 2005, the SMEs in India are officially recognised as the Micro, Small and Medium Enterprises (MSMEs). The scope of the study is wide and bright in the sense that due to the lack of attention from government and non availability of finance to MSMEs and entrepreneurs hinders the development of entrepreneurship, but the study has made an attempt to overcome the obstacles of entrepreneurship development by bringing valuable suggestions to the limelight.

The present study is based on primary and secondary data. For the purpose of the study, primary data is obtained through well designed questionnaire from Entrepreneurs, SIDBI officials as well as government functionaries. Primary data were collected through sample survey. The specific schedule designed for the purpose was canvassed through personal interview and the information given by the respondents was thus recorded. In addition to this the researcher held discussions with the official of the banks of the sample areas to elicit required and relevant information.

Secondary data were obtained from Annual reports of SIDBI, Annual Reports of Development Banks, various books, magazines, journals and internet etc. The main sources of secondary data include the publication of Reserve Bank of India viz., Reports on Currency and Finance, RBI Bulletins, statistical tables relating to banks of India, reports on trends and progress, reports of the Banking Commission and Industrial Hand Book. In addition to all these sources, important pieces of information pertaining to the different research journals and reports.

Primary data is collected from 100 respondents through a well structured questionnaire consisting of 40 entrepreneurs, 30 SIDBI employees and 30

MSME employees. Various statistical tools like Mean, Standard Deviation, Skewness, Chi-Square χ^2 and Two-Sample Kolmogorov-Smirnov (Ks) Z –Test have been used to analyze and interpret the data in a meaningful manner.

It is evident that majority of the respondents are strongly agree with the statement No.1 that the SIDBI is a significant financial institution with regard to entrepreneurship development. The mean value of the respondents is lower than the average standard score i.e. 5 at five- point scale. The variation in the opinion is 1.4333, while skewness is .801. It shows that their opinion is distributed more towards lower side of the average score. The calculated value of χ^2 is significant at five percent level of significance.

As far as capability of financial institutions in providing finance and development assistance to entrepreneurs is concerned, the majority of the respondents are strongly agree.

It is evident that majority of the respondents strongly disagree over the issue that various incentives and concessions provided by the government for the promotion of entrepreneurship and MSMEs are sufficient.

Respondents attitude towards the need to seek remedies and give pragmatic solutions having policy implications for the promotion of MSMEs and entrepreneurship has been analysed, on the basis of the opinion of the respondents it is observed that their opinion is distributed more towards lower side i.e. strongly agree.

Further, it is observed that the majority of the respondents either agree or strongly agree regarding the statement that modern MSMEs is akin to the large scale industries in terms of technology, production facilities, labour intensity and promotion of entrepreneurship etc.

As far as need towards industrial policy to pay special attention to MSMEs in order to accelerate the economic development and promotion of entrepreneurship most of the respondents strongly agree or agree.

Two-Sample Kolmogorov-Smirnov (KS) Z –Test for checking the provision of financial norms of SIDBI for MSMEs and entrepreneurs units to

avail loans under term up-gradation fund scheme reveals that the KS Z-Test values are .387, .518 and .518 for SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs groups respectively which are less than the critical values at 0.05 percent levels. Hence, it cannot be regarded as significant. Therefore, the hypothesis is accepted with the conclusion that all the groups do not differ with regard to the fact that the financial norms are not suitable for MSMEs and Entrepreneurs.

Analysis of the Two-Sample Kolmogorov-Smirnov (KS) Z –Test for checking the provision of sanction and disbursement of financial assistance to MSMEs by SIDBI shows that the KS Z-Test values are .516, .656 and .242 for groups SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs respectively which are less than the critical values at 0.05 percent levels. Therefore, it cannot be considered as significant and hence, the hypothesis is accepted. The analysis also reveals that all the groups have same opinion that the procedures of SIDBI for sanctioning and disbursement of loans to MSMEs and Entrepreneurship are not friendly for them.

There should be sufficient number of branches of SIDBI to facilitate the financial assistance to the entrepreneurs and MSMEs. But in the reality SIDBI has very few branches, which are insufficient to cater the needs of the large number of entrepreneurs and MSMEs. Analysis of the Two-Sample Kolmogorov-Smirnov (KS) Z –Test for checking the provision of number of branches of SIDBI shows that the KS Z-Test values are .258, .242 and .518 for groups SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs respectively, which are less than the critical values at 0.05 percent levels. Therefore, it cannot be considered as significant and hence, the hypothesis is accepted. The analysis also reveals that all the groups do not differ with regard to the opinion that SIDBI should open more branches for the promotion of entrepreneurship in U.P.

The following results have been derived after testing and verification of hypotheses:

- H₀₁** The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted with the conclusion that all the groups have similar opinion regarding the financial norms are not suitable for entrepreneurship development in U.P and finance acts as a constraint in the growth of entrepreneurship in U.P.
- H₀₂** The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted and it is concluded that by improving provision for the sanction and disbursement of financial assistance to MSMEs and Entrepreneurs SIDBI can slowly solve the problem of finance of entrepreneurs in U.P.
- H₀₃** The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted that the institutional arrangements for credit to small scale industries in U.P. have not been satisfactory.
- H₀₄** The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted that the supply of credit to SSI in U.P. had not been satisfactory.
- H₀₅** The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis

is accepted with the conclusion that all the groups have similar opinion regarding the utilization of credit by SSI has not been satisfactory.

SIDBI has evolved itself to meet the various requirements of MSMEs and entrepreneurship in U.P. by offering various financial products and resources like term loan assistance, working capital term loan, support organs delayed payment, foreign currency loan, and also by micro credit and indirect financial assistance.

During the financial year 2008, SIDBI recorded better operational achievements and strengthened its financial fundamentals. The Bank recorded the highest ever sanctions and disbursements during the year with sanctions increasing by 45.6 percent and disbursements by 47.5 percent over the previous year. While the refinance support, which is a key function of the Bank, was enhanced by 76.4 percent, the Direct Credit flows to MSMEs by SIDBI increased by 18.0 percent during the year under review. The aggregate outstanding portfolio of the Bank crossed the Rs.20,000 crore mark for the first time and increased by 26.2 percent to Rs.20,226 crore as at March 31, 2008. As a result, the total assets of the Bank increased sizeably to Rs.23, 887 crore at the end of FY 2008.

Micro Finance, by reaching out to the poor, has emerged as a powerful tool for inclusive growth, poverty alleviation and women empowerment. At the same time, it is also a business opportunity for enlarging the credit portfolio of the Bank. The total credit sanctions under Micro finance during FY 2008 surged by 93.8 percent to Rs. 745.95 crore and disbursements by almost 100 percent to Rs.695.80 crore. The Micro credit outstanding as on March 31, 2008 was Rs.950.38 crore which showed a higher growth of 73.3 percent over the previous year. The Bank's Micro Finance support so far has benefited more than 50 lakh persons, mostly women.

During the year, with focused attention on business growth and better pricing of loan products, total income of the Bank increased by 38% to Rs.1,638 crore from Rs.1,187 crore during FY 2007. However, due to

treatment of earlier / current year's cumulative contribution to the corpus of CGTMSE of Rs.317 crore as expenditure and providing for interest expenditure of Rs.174 crore on SIDBI Bonds held by Govt. of India which was waived in the previous year, net profit for the current year was lower at Rs.198 crore as against Rs.298 crore in the previous year. The total Reserves and Funds of the Bank increased from Rs.4,691 crore as on March 31, 2007 to Rs.4,810 crore as on March 31, 2008 and the Capital Adequacy Ratio was higher at 41.7 percent.

It may be stated that in the Indian setting where poverty and unemployment are widely prevalent, the development of broad-based entrepreneurship need not be over-emphasized. No doubt the development banks have initiated certain measures for the development of broad-based entrepreneurship in the country. But in a country where the industrial activity was considered as hereditary occupation and trading and financing backgrounds remained for a long time almost an exclusive source of entrepreneurship, what the development banks have been doing in the direction of broad-based entrepreneurship development can be considered as nominal. The development banks should identify, on their own, the individuals with entrepreneurial traits and motivate them into entrepreneurial career by providing suitable training and other inputs necessary to set up industrial establishments. The contribution of development banks to the growth of small entrepreneurship in rural and backward areas has been negligible. The entrepreneurship development programmes (EDPs) conducted by development banks are, by and large, urban-oriented and, therefore, the entrepreneurship is still emerging from urban and metropolitan centers. In order to foster the growth of broad-based entrepreneurship in the country, the development banks should necessarily make a dent into the rural areas and identify the potential entrepreneurs and develop in them the traits/abilities required for entrepreneurial success.

Entrepreneurship, MSEs and economic development are closely interwoven and inter-dependent. MSEs act as foundation for entrepreneurs and entrepreneurship. MSEs are so called because of their own nature. In entrepreneurial term, small business is a very personal approach to creating new enterprises. Normally, an entrepreneur starts entrepreneurial activity first at micro or small scale and gradually expands its activities.

The problems faced by the MSEs and the entrepreneurs involved in these industries may be put into two major categories:

- (i) Macro-level problems; and
- (ii) Micro-level problems.

Macro-level problems may further be divided into two parts:

- (a) Problems at the industry level; and
- (b) Problems at the export markets level.

On the basis of empirical findings the study makes the following **suggestions** having policy implications.

1. The SIDBI, banks and financial institutions should provide both the working capital and term loans, without delay to the SSIs.
2. In sanctioning of the quantum of credit facilities, there is a tendency to cut down the limits on an ad hoc basis on the plea that the units will require the full credit limit only when it goes into full production. There are often delays, subsequently for enhancing limits and the operations of the units suffer. The full working capital should therefore be sanctioned at the outset obviating the necessity for reference to sanctioning authority subsequently.
3. Financial guarantee to a reasonable extent may be given to small entrepreneurs to enable them to secure contracts for supply of goods and to carry out the work undertaken.
4. There must be accountability on the parts of District Industries Centre (DIC) and bank officials and the special tribunal should be established so that stringent action can be taken against

the erring officials. There should be greater coordination between SIDBI and DIC.

5. SIDBI should follow uniform policy of providing need-based finance to small units.
6. It is suggested that before providing finance for any project the SIDBI should have a close look at the top management as well as the complete organizational setup.
7. Besides SIDBI, all the institutions and organizations, which are related with the working of SSIs, should set up a separate customer care department for the benefit of entrepreneurs.
8. It is suggested that the Government should ensure in coordination with SIDBI that all the facilities related to finance, marketing etc. needed by SSIs should be made available at one place so that entrepreneurs do not have to go to different parts of the city for a single work. This will save a lot of time.
9. SIDBI should provide project reports to the prospective entrepreneurs easily and at affordable cost.
10. The SIDBI in cooperation with banks and financial institutions should conduct specialized training programmes and seminars not only for their staff but also for the borrowers to bring about better understanding and coordination between them.
11. Banks and financial institutions should also take steps to bring about an attitudinal change in their officers and other functionaries dealing with the industrial units so that they adopt helpful attitude from pre-sanction stage and are able to win the confidence of their borrower.
12. The procedure of taking loans from SIDBI, banks and financial institutions should be simplified and more powers should be delegated to the branch manager so that unnecessary delays may be avoided.

13. The Government should be promoting the SSI units to develop Research and Development (R&D) facilities and concession should be given to those units, which have R & D facilities.
14. Efforts should be made by the Government in coordination with SIDBI to revive the sick units in the Industrial Estates and industrial areas .
15. SIDBI and other banks should go beyond the purview of lending and recovery. They should try to act as a friend philosopher and guide to small scale industry.
16. The government should take full advantage of the establishment of more SIDBIs branches in U.P. and provide all the necessary assistance to it in carrying out its operations successfully. Since, the efforts of the government towards the development of U.P. as an industrial hub of India have not been successful and the desired degree of success has eluded us. It is all the more important to involve agencies like SIDBI and assign them an increasingly greater role in the industrial development of U.P.
17. SIDBI should also equip their members with advanced skills through a development wing so that they can steadily increase their efficiencies.
18. Government should make concerted efforts in imparting proper education and training to employees engaged in SIDBI as they are valuable assets to the country. Employee should be encouraged by the state Government to innovate themselves in the production process. Effective motivation and reward system is highly desirable for this purpose.
19. Efforts are needed to develop more infrastructure facilities like road development, regular power supply, financial system, technology services, water supply etc. These infrastructure facilities are necessary for smooth functioning of small-scale enterprises. Development of industrial estates, industrial parks, SEZs can solve this problem to a large extent.

20. The small-scale enterprises depend more on their own funds and borrowed fund from non-banking sector as they are unable to get proper support from banks and other financial companies. The SIDBI is trying to provide these facilities but intermediaries involved in the system are creating problems for them. So it is desirable that SIDBI should try to bring transparency and effectiveness in its functioning. Prompt financial support should be arranged to small-scale enterprises. Targets should be set for S.S.E. sector for credit from banks, and financial instructions under priority sector lending. The lending rates should be reduced to prime lending rates.

The **main recommendations** of the study are as follows:

1. To encourage SIDBI to take up factoring for micro and small enterprises refinance at concessional rates from SIDBI should be introduced.
2. An exchange with focus on SMEs on relaxed listing requirements may be set up at the earliest, preferably with the involvement of NSE and SIDBI so as to enable the SMEs to come out with IPO at an affordable cost and within a reasonable time.
3. Government should propose independent Rehabilitation Fund with SIDBI for rehabilitation of sick SMEs. The fund may have a corpus of Rs. 1000 crores. While 75% of the corpus could be earmarked for assisting the micro and small enterprises, balance could be utilized for assisting medium enterprises. This fund may be utilized for providing soft loans at a concessional rate of interest to MSMEs.
4. In order to encourage the entrepreneurs to innovate new ideas, it is necessary that venture capital/mezzanine finance should be encouraged. There should be a separate fund with the umbrella organization SIDBI which should help venture capital funds in meeting the finance requirements of small enterprises by way of equity/mezzanine finance/soft loans etc.

5. In rural and semi-urban areas, SIDBI need to play a more active role in the development of micro, small and medium enterprises. RBI/GOI may encourage SIDBI to take up micro, small and medium enterprise financing in a big way. However, the officers and staff of SIDBI posted in the branches have little knowledge of MSMEs financing and proper training needs to be imparted to them. RBI/Govt. may be requested for providing the necessary training and infrastructure to SIDBI for the same.
6. SIDBI should set up credit counseling centers which may offer free counseling on curative measures mainly to entrepreneurs or retail borrowers, exclusively for MSMEs. Such centers may be setup in major industrial towns/clusters of U.P.
7. In order to equip the MSMEs with the capacity to manage their business effectively and efficiently, all the stakeholders may set up enterprise development centers (EDC), providing comprehensive guidance and training not only for setting up new units but also provides continuing education on different aspects of successful management of existing business enterprises. The EDCs may provide Entrepreneurship development programmes for first generation entrepreneurs. The Govt. may provide grant upto Rs. 2.5 crores. The state Govt. may provide land for setting up such EDCs free of cost and SIDBI may defray a part of the training costs @Rs. 5000 per trainee out of a fund to be created within SIDBI from out of contribution from Govt.
8. Being the apex financial institution for MSMEs, SIDBI may provide advisory services and participate in appraisal and financing of rehabilitation packages of MSMEs, even if it had no prior exposure in the same.
9. Although the Ministry of MSMEs, RBI and SIDBI, have taken several initiatives in promotion, financing and development of MSMEs in the country, the researcher feels that their should be an umbrella

organization for overseeing the development of MSMEs sector with review to fully exploit entrepreneurial growth potential of our country, specially U.P.

10. It is suggested that the Ministry of MSMEs should be set-up in all states on the lines of center.

11. Since power shortage is one of the reasons for sickness in SMEs, it is suggested that Industrial Estate for SMEs should be provided independent power source.

The study has elaborately dealt upon role of Small Industries Development Bank of India (SIDBI) in the promotion of entrepreneurship in U.P. Further, research can be undertaken to study the role of SIDBI in all India level and other states too. Research can also be undertaken for other aspects of SIDBI such as micro-finance and role of SIDBI in the promotion of rural and women entrepreneurship.



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Certificate

This is to certify that the thesis entitled *“Role of Small Industries Development Bank of India (SIDBI) in the Promotion of Entrepreneurship in U.P.”*, submitted for the award of the *Degree of Doctor of Philosophy (Ph.D.) in Commerce* to *Aligarh Muslim University, Aligarh*, is a record of a bonafide research work carried out by *Mr. Mohd Shoeb* under my guidance and supervision. It is further certified that the thesis embodies the work of the candidate himself, and he has worked under me for more than twenty four months, commencing from the date of registration. The present work is suitable for submission for the above mentioned purpose.

Nafees A. Khan
(Dr. Nafees A. Khan)
Research Supervisor

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A.M.U. Aligarh

July 07, 2009



(Mohd Shoeb)

PREFACE

Entrepreneurship development is the key to the economic development of a country. Entrepreneurial development is essential for industrialization, generating employment and poverty alleviation. Entrepreneurship is a strategy and can be developed through planned efforts. A large number of schemes have been formulated for developing entrepreneurship by the Government through various organizations and financial institutions like Small Scale Development Organisation (SIDO), National Small Industries Corporation Limited (NSIC), Small Industries Development Bank of India (SIDBI) and Industrial Development Bank of India (IDBI) etc.

There is enough talent in the country where the people have the right mix of entrepreneurial qualities which can make them very successful entrepreneurs but they don't have the kind of support from the society, educational institution and the Government; there is no eco-system to promote such entrepreneurs who have ideas and can make it.

The small scale industrial (SSI) sector is a vital constituent of the total industrial sector. It is a dynamic and vibrant sector of the Indian economy. The sector acts as a nursery for the development of entrepreneurial talent and has been contributing significantly to the National Gross Domestic Product besides meeting the social objectives including that of providing employment opportunities to million of people across the country. Statistics pertaining to the sector play an important role for policy formulation on credit, marketing, technology, entrepreneurial development and infrastructure development.

There has been a burst of entrepreneurship across the country, spanning, and rural, semi-urban and urban areas. This has to be nurtured and financed. A small entrepreneur today will be a big entrepreneur tomorrow, and might become a multinational enterprise eventually if given the comfort of financial support from financial institutions like SIDBI.

We are of the view that SIDBI should be accorded the same role and status as the nodal/co-coordinating agency for financing of small industries as is now

available to National Bank for Agriculture and Rural Development (NABARD) in the field of agricultural development.

SIDBI set up under an Act of Parliament is the wholly owned subsidiary of IDBI. SIDBI commenced its operations on April 2, 1990 and assists SSI sector through its

- (a) Refinance Schemes,
- (b) Direct Assistance, and
- (c) Promotion and Development programmes.

During the FY 2008, SIDBI recorded better operational performance and strengthened its financial fundamentals. The Bank recorded the highest ever sanctions and disbursements during the year with sanctions increasing by 45.6 percent and disbursements by 47.5 percent over the previous year. While the Refinance support, which is a key function of Bank, was enhanced by 76.4 percent, the Direct Credit flow to MSMEs by SIDBI increased by 18.0 percent during the year under review. The aggregate outstanding portfolio of the Bank crossed the Rs.20,000 crore mark for the first time and increased by 26.2 percent to Rs.20,226 crore as at March 31,2008. As a result, the total assets of the Bank increased sizeably to Rs.23,887 crore at the end of FY 2008.

Pursuit of knowledge when the subject is vast and dynamic is an enriching experience in itself. It is a first ever analytical study on SIDBI and its assistance to small and medium enterprises. It is a detailed study on the performance of SIDBI and its assistance to SME under different schemes and deciding on solution of problems in the form of suggestions.

Direct discounting of bills, equipment finance scheme, project finance scheme, factoring, ancillary/vendor development, the scheme for grant of credit rating to SSI's, direct assistance for development of industrial infrastructure, foreign currency term loan, pre-shipment credits, foreign letters of credits, export bills financing, working capital term loans, resource support to the institutions involved in development of SSI, are some of the other important schemes taken up by the SIDBI.

SIDBI is now perhaps the most important bank for lending loans to small and medium enterprises. It helps SSIs to obtain credit rating from accredited credit rating agencies. SIDBI ranked 25th in terms of capital and assets among

development banks of world. Thus, SIDBI has come forward through its several assisting agencies to provide the rural sector of the economy both financial and non-financial assistance and alleviate their chronic problems of finance, technology upgradation, infrastructural facilities and marketing expertise. SIDBI act as a backbone of a country in providing assistance to SME's.

The present study emphasizes as to how SIDBI can promote the entrepreneurship in the country specially in the state of Uttar Pradesh (U.P.) for the overall economic development of the country. SIDBI has various schemes for the development of entrepreneurship. But how widely they reach those entrepreneurs who need them and how they can be most efficiently implemented is an empirical question that needs to be investigated. The study, therefore, examines critically the role of SIDBI in the promotion of entrepreneurship in U.P.

The entire study has been divided into eight chapters. The first chapter introduces the significance of the study, problems and issues, research gap, hypothesis of the study and research methodology. The second chapter deals with review of literature. The third chapter is devoted to the study of role of financial institutions in the development of entrepreneurship and micro, small and medium enterprises (MSMEs). The fourth chapter examines socio-economic profile of U.P. the fifth chapter underlines growth, development and role of SIDBI in the promotion of entrepreneurship in U.P. The sixth chapter examines the problems and prospects of development of entrepreneurship and MSMEs in U.P. The seventh chapter focuses statistical analysis and interpretation. The last chapter presents summary of findings, conclusion, suggestions, recommendations and directions for future research.

July 7, 2009

AMU



(Mohd. Shoeb)

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Abbreviations

ARS	- Automatic Refinance Scheme
CAC	- Command-and-Control
CGTSI	- Credit Guarantee Fund Trust for Small Industries
CLCSS	- Credit-Linked Capital Subsidy Scheme
DFID	- Department for International Development
DSS	- Development and Support Services
EMS	- Environmental Management System
FY	- Financial Year
ICICI	- Industrial Credit and Investment Corporation of India
IDBI	- Industrial Development Bank of India
IFAD	- International Fund for Agricultural Development
IFCI	- Industrial Financial Corporation of India
ISO	- International Standard Organization
IVG	- Intec Venture Group
LOC	- Line of Credit
LSI	- Large Scale Industries
MFI	- Micro Finance Institutions
MSME	- Micro, Small and Medium Enterprises
MUN	- Mahila Udyam Nidhi
NEF	- National Equity Fund
NIDC	- National Industrial Corporation
NSIC	- National Small Industries Corporation
NTC	- National Textile Corporation
NTC	- National Textile Corporation
PLI	- Primary Lending Institutions
PSB	- Public Sector Banks
RIP	- Rural Industries Program
RRBs	- Regional Rural Banks
SCICI	- Shipping Credit and Investment Co. of India

SEDF	- South Asian Enterprise Development Facility
SFC	- State Financial Cooperation
SFMC	- SIDBI Foundation for Micro Credit
SIDBI	- Small Industries Development Bank of India
SIDC	- State Industries Development Corporation
SIDF	- Small Industries Development Fund
SIDO	- Small Industrial Development Organization
SIMAP	- Small Industries Management Assistance Programme
SME's	- Small and Medium Enterprises
SMERA	- Small and Medium Enterprise Rating Agency of India
SRTO	- Small Road Transport Operators
SSI	- Small Scale Industries
STUP	- Skill-cum -Technology Upgradation Programme
SWS	- Single Window Scheme
TDMS	- Technology Development and Modernization Fund
TDMS	- Technology Development and Modernization Fund
UCO	- United Commercial Bank
UTI	- Unit Trust of India
WTO	- World Trade Organization

INTRODUCTION

- ❖ New Concept of Entrepreneurs
- ❖ Entrepreneurship
- ❖ Small Scale Industries
- ❖ Role of Small Scale Industries in the Promotion of Entrepreneurship
- ❖ Growth of Small Scale Industries in National Context
- ❖ Significance of the Study
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Chapter 1

INTRODUCTION

The word 'entrepreneur' has an interesting history and it appeared first in French, long before the emergence of any general concept of entrepreneurial function. In the early sixteenth century man engaged in leading military expeditions was referred to as entrepreneur.¹ In simple words it can be explained that the term entrepreneur was used for army leaders. In the 17th century it was extended to cover civil engineering activities such as construction of road, bridge and harbour and fortification contractors. The same term was later applied to architects. In the early 18th century Cantillon R., defined entrepreneur as a person or dealer who buys factors services at a certain prices in the future".²

Oxford English Dictionary (1897) defined entrepreneur, simply as "the director or manager of a public musical institution". Not until its supplement appeared in 1933 did the dictionary recognize that the word had a place in business, and would mean "one who undertakes an enterprise especially a contractor acting as intermediary between capital and labour. Undertaking of an enterprise is thus entrepreneurship and one who combines capital and labour for the purpose of production - is an entrepreneur". This class is an "employing class"- the entrepreneur class.³

According to J.B. Say, "an entrepreneur is the economic agent who unites all means of production; the labour force of the one and the capital or land of others and who finds in the value of the products which results from their employment, the reconstitution of the entire capital that he utilizes and the value of the wages, the interest and the rent which he pays as well as profit belonging to himself". He lays emphasis on the functions of coordination, organisation

¹ Thomas C. Cochran, *Entrepreneurship*, *International Encyclopaedia of the Social Science*, Vol 5, Macmillan Company and Press, 1968, pp 87-91.

² Kilby, P, *Entrepreneurship and Economic Development*, The Free Press, New York, 1971, p 2.

³ Tordon B.C., *Environment and Entrepreneur*, Chugh Publications, Allahabad, 1975, p 33.

and supervision. Further, it can be said that the entrepreneur is an organizer and speculator of business enterprise.⁴

John Stuart Mill was influenced considerably by the writings of J. B. Say. He advocated the word entrepreneur in the sense of an organiser who was paid for his 'non-manual' type of work. Marshall also stressed the significance of organisation among the services of a special class of undertakers, undertaking risks, bringing together capital and superintending minor details.⁵

According to Haggan E.E., the entrepreneur is an 'economic man', who tries to maximize his profits by innovations. Innovations involve problem-solving and entrepreneur gets satisfaction from using his capabilities in attacking problems.⁶

Fredrick Harbison says that entrepreneur is not an innovator but an organization builder who must be able to harness the new ideas of different innovators to the rest of the organizations.⁷ Collins and Moore argue that entrepreneurs differ significantly from managers and executives,⁸ while Giesbrecht concludes that entrepreneurs are a special breed; they behave differently and have different motives, backgrounds and origins than managers. Whatever the definition, the term entrepreneur alongside of socialism but to ensure a healthy growth of entrepreneurship through the development of the entrepreneurial spirit in keeping with the essential freedom of the individual innovator alongside the public control of the economy.⁹

In Schumpeter's system entrepreneurship is essentially a 'creative activity'. It consists in doing such things that are not generally done in the ordinary

⁴ Say, J.B., *Catechism of Political Economy*, Sherwood, London, 1815, pp28-29.

⁵ A. Marshall, *Principles of Economics*, pp 293.

⁶ Haggan E.E., *The Economics of Development* p 219.

⁷ H. Fredrick, *Entrepreneurial organization: As a Factor in Economic Development*, Quarterly Journal of Economics, Vol XX, No. 3, August, 1956, pp 364- 367.

⁸ Collins Orus and Moore, G.David. *The Enterprising Man*, East Lansing Michigan, Bureau of Business and Economic Research, Michigan State University, 1964.

⁹ Tondon, B.C., *Environment and Entrepreneur*, Chugh Publications, Allahabad, 1975, p 39.

course of business. It is essentially a phenomenon that comes under the wider aspect of leadership.¹⁰

In the words of Cole A. H., entrepreneurship is "the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit oriented business unit for the production or, the distribution of economic goods and services."¹¹ Hoselitz highlighted the fact that entrepreneurship depends partly upon the appearance of persons with a certain psychological make-up favourable for entrepreneurial activity and partly upon the social and economic environment in which individuals with requisite personal will find it attractive to apply themselves to the pursuit of appropriate economic ends.¹²

Frank W. Young has not come out with any new definition of entrepreneurship. He advocates the definition of 'Schumpeter'. He says that entrepreneurial activity is generated by the particular family backgrounds, experiences and the alignment with certain groups.¹³

Bert F. Hoselitz, (1952) says that "a person, who is to become an Industrial entrepreneur, must have additional personality traits to those resulting from a drive to amass wealth... In addition to being motivated by the expectations of profit, he must also have some managerial abilities and more important he must have ability to lead".¹⁴

James J. Berna stressed the following qualities of a 'good entrepreneur':

(i) He must be an enterprising individual. He should be energetic, resourceful, alert to new opportunities, able to adjust to changing conditions and willing to assume risks involved in change, (ii) He should be interested in

¹⁰ Sheobal Singh, *Entrepreneurship and Social Change*, Rawat Publications, 1985, p 6.

¹¹ Cochran, T.C., *Entrepreneurship, International Encyclopedia of the Social Science*, Vol No.5, Macmillan & Co., Free Press, New York.

¹² Asim Chaudhary, *Private Economic Power in India*, People Publishing House, New Delhi, 1975, pp 72-73.

¹³ Young, J.W., *A Micro Sociological Interpretation of Entrepreneurship*, op. cit, pp 139-147.

¹⁴ B.J.Hoselitz, *Entrepreneurship and Economic growth*, *American Journal of Economics and Sociology*, Vol 12, No 1, October, 1952 p 106

advancing technology- and in improving the quality of his product, and (iii) He must be interested in expanding the scale of his operations, and he reinvests his earnings to this cause. He further writes "In the writer's opinion, these are the basic criteria which must be used in evaluating entrepreneur's performance in an underdeveloped country."¹⁵

David McClelland has pointed out that a true entrepreneur should have the following characteristics:

1. He should have the capacity to assume risk, 2. He should have self confidence, 3. He must be a hard worker, 4. He should be a perfect goal setter. The Goals are determined on the basis of social, political, economic and personal factors. Some of the determinants of Corporate are; market conditions, competition, Industry condition, Government policy, Input supply and price, 5. He is accountable for his performance, and 6. He must be an innovator. An innovator is one who utilise inventions and discoveries in order to make new combinations and thus increase productivity and profit.¹⁶

Park W.R. furnishes a list of main characteristics of a successful entrepreneur which include:

1. A successful entrepreneur must have initiative and decision making power, 2. He should have positive attitude towards his goals and achievements, 3. He should have leadership qualities. It can be said that a true entrepreneur should have self discipline, presence of mind, sense of justice, sincerity, integrity, honour and dignity, courage as above all a high moral character, 4. He should always be ready to take responsibilities, 5. He must have an organising ability i.e., ability of building organization and ability to select and develop

¹⁵ James j. Berna, *Industrial Entrepreneurship in Madaras State*, p 10.

¹⁶ Siripolis Michale C., *Smal Business Management- A guide to entrepreneurship*, Houghton Mifflin Co. Boston, 1977, p 28.

personnel etc., 6. he should be industrious and hard worker; and 7. He should be sincere in dealings.¹⁷

Thus, the term 'entrepreneur' has a plethora of definitions, but no consensus has to date emerged on what skills and abilities a person should possess to become an entrepreneur, how can entrepreneurial class can be developed, or how the supply of entrepreneurial persons in a particular society can be increased. It may appear a little surprising that despite the subject of entrepreneurship have been under discussion for more than two centuries; the concept still remains a little clouded.¹⁸

Adam Smith treated him as provider of capital, but not playing a leading role.¹⁹ F.H. Knight projected Cantillon's concept of risk further by stating that entrepreneurs bear the responsibility and consequences of making decisions under conditions of uncertainty.²⁰

New Concept of Entrepreneurs

In recent times, an entrepreneur is considered to a person who identifies and evaluates a new business opportunity and exploits it for achieving desired results. He conceives an idea for establishment of an industrial enterprise for the purpose of new creation, shows considerable initiative, courage, and determination in bringing his new idea into reality.²¹

Entrepreneurship:

Entrepreneurship may be defined as the process of identifying opportunities in the market, mobilizing the resources required to exploit these opportunities and investing the resources for long term gains. It is a multidimensional task and involves creating wealth by bringing together

¹⁷ Park, William R. and Park Sue Chapin, *How to Succeed in Your Own Business*, John Wiley and Sons, New York, 1978, p 3.

¹⁸ See Peter Kilby, *Hunting the haffalump, Entrepreneurship and Economic Development*, ed. Peter Kilby, The Free Press, New York, 1971, pp 140

¹⁹ R. Cantillon, *On the Nature of Commerce in General in Early-Economic Thought*, ed. A.E. Monroe, Harvard University Press, Cambridge, 1951

²⁰ F.H. Knight, *Risk Uncertainty and Profit*, Harper and Row, New York, 1921

²¹ Nafees A. Khan, *Fundamentals of Entrepreneurship*, Anmol Publications Pvt Ltd, Delhi, 2006, p 3.

resources in new ways to establish and operate an enterprise. Entrepreneurship has been differently defined by different experts as follows:

Entrepreneurship is an action plan to create an entrepreneur with achievement motivation, who can develop business, can take strategic decisions, can successfully cope with business environment and can assume business risks. It is programme for the training of entrepreneurs. There are three phases of entrepreneurship development. The initial phase of creation of awareness about entrepreneurial opportunities based on survey, the development phase of implementation of training programmes to develop motivation and managerial skills and the support phase for providing infrastructural support and counselling to establish a new enterprise and develop the existing units. The institutional infrastructure support of our country is vast and consist of institutions providing entrepreneurial awareness, organizing entrepreneurship development programmes, and motivation programmes providing financial support, dealing with marketing problems, providing consultancy and education in Entrepreneurship, conducting research in the area and so on and so forth.²²

Small Scale Industries

Soon after independence, India's economic plans envisaged the setting up of a wide spectrum of industries as a crucial development strategy to acquire self sustaining economic growth, which would require massive capital. In a developing country like India, industries could no longer offer to the just one man show.

In the Second Five Year Plan, the Government of India adopted the working definition of a small scale unit as a unit with an investment not exceeding Rs.5 Lakhs and employing less than 50 persons if using power and less than 100 persons if not using power. However, on the

²² Nafees A. Khan, *Fundamentals of Entrepreneurship*, Anmol Publications Pvt Ltd, Delhi, 2006, p 18.

recommendation of the Federation of Association of Small Industries of India, an apex level organisation of small scale industries, set up under the aegis of Ford Foundation team, only the investment in fixed assets was considered for granting the status of small scale unit. Accordingly, a unit with an investment in plant and machinery not exceeding Rs.7.5 lakhs was considered as a small scale unit.

The small scale sector can broadly be divided into two sub-industries:

1. Modern Small Scale Industries: The Modern Small Scale Sector is akin to the large and medium scale industries in terms of technology, production facilities, labour intensity and capital intensity etc.

2. Traditional Industries: Traditional industries include handlooms, Khadi and Village Industries, handicrafts and sericulture etc. These are generally artisan based and mostly located in rural and semi-urban areas, with only nominal investment in plant and machinery. These have been preserving craftsmanship and artistic heritage of the country.

Ancillary industries: Ancillary industries are undertakings having capital investment in fixed assets i.e. plant and machinery not exceeding Rs. 1 crore and engaged in:

- (a) Manufacturing of parts, components, sub-assemblies, tooling or intermediates; or
- (b) Rendering of services and supplying or rendering or proposing to supply or render 50% of their production or services, as the case may be to other Industrial undertakings for production of other articles.

Provided that no such undertaking shall be a subsidiary of or owned or controlled by any other undertaking. All the service oriented enterprises are now eligible to be registered as small scale establishments and are entitled to avail the same concessions and incentives as are available to SSI and ancillary industries.

Tiny Units: The Industrial Policy Statements, 1977, paid special attention to the units in the tiny sector. In these units' investments in machinery and equipment was upto 1 lakh, but subjected to the locational restriction. They shall be situated in towns with a population of less than 50000 according to 1971 census figure. The policy envisaged the drawing up of schemes for making available margin money assistance i.e. investment ceiling in tiny industries was increased upto Rs. 5 lakh in 1990. However, the conditions apply. According to Industry Policy Statement, 1951, the tiny enterprises would be entitled to preference in land allocation, power connection, and access to facilities or skills/technical upgradation. The tiny enterprise would be eligible, in addition support on a continuous basis including easier access to institutional finance, priority in the Government purchase programme and relaxation from certain provision of labour laws.

An Industrial unit in which the investment in fixed assets in Plant and Machinery does not exceed Rs. 25 lakh, irrespective of the location of the unit is defined as Tiny Enterprise.

Small Scale Service Establishments

Establishments / enterprises engaged in personal or household services in rural areas and towns with a population of 5 lakhs or less, and having investment in plant and machinery not exceeding Rs.2 lakhs, have been defined as small scale services establishments.

The small scale industries can be defined into two categorised viz. (a) Organised modern small scale industries and (b) Unorganised traditional small scale industries. The traditional small scale enterprises include village industries, sericulture, handicrafts, coir, khadi and handloom industries. These industries are mostly labour intensive and based mostly in rural and semi-urban areas. They have been sustaining employment and incomes in the rural

areas. They have also been preserving craftsmanship and artistic heritage of the country.²³

In 1977, the Industrial Policy Resolution modified that definition of small scale industries. As per the new definition, all the units having investment upto Rs.20 lakhs in plant and machinery were considered as small scale units whereas in case of ancillaries, the investment ceiling was upto Rs.25 lakhs and in the case of tiny sector the investment ceiling limit was fixed at Rs. 2 lakhs. During the year 1982, the definition was further extended to include service oriented enterprises which were not engaged in purely trading or commercial activities. Again in 1985 the government raised the ceiling unit of thrust investment in plant and Machinery of small scale sector and Tiny Units of Ancillaries from Rs.20 lakhs to 35 lakhs, Undertakings having investment from Rs.25 lakhs to Rs. 45 lakhs respectively.

Small scale industry was defined as an undertaking having investment in fixed assets in plant and machinery, whether held on ownership terms or by lease or by hire purchase, not exceeding Rs.1 crore.

Ancillary industries are undertakings, having investment in plant and machinery not exceeding Rs.75 lakhs with the following characteristics:

The investment in plant and machinery whether held ' on ownership terms or by lease or by hire purchase, does not exceed' Rs.75 lakhs, and undertaking is engaged or is proposed to be engaged in the manufacture or production of parts, components, sub assemblies, tooling or intermediates or the rendering of services, and the undertaking supplies or renders, or proposes to supply or renders at least 30- percent of its production or services, as the case may be, not one or more other industrial units, the amount of Rs.75 lakhs is now enhanced to Rs. 3 crores.

²³ *Banking Finance*, Vol XXI, No7, July 2008

New Classification of Enterprises

After Enactment of MSMED Act, 2006 which has come into force 2nd October, 2006. The earlier concept of 'Industries has been changed to Enterprises' (Appendix I).

Enterprises has been classified broadly into:

(a) Manufacturing Enterprises: They have been defined in terms of investment in Plant and machinery (Excluding land and building) and further classified into:

- Micro Enterprises-Investment up to Rs. 2.5 lakh.
- Small Enterprises-Investment up to Rs. 2.5 lakh and up to Rs. 5 crore.
- Medium Enterprises-Investment above Rs. 5 crore and up to Rs. 10 crore.

(b) Service Enterprises: They have been defined in terms of their investment in Equipment (Excluding land and building) and further classified into:

- Micro Enterprises-Investment up to Rs. 10 lakh.
- Small Enterprises-Investment up to Rs. 10 lakh and up to Rs. 2 crore.
- Medium Enterprises-Investment above Rs. 2 crore and up to Rs. 5 crore.

Several industrial units were started in urgent need of modern automatic machines to enable them to produce better quality products at lower costs so as to sell them at competitive rates in the international markets. Industrial growth can be spearheaded by a much needed shift of attention from prerequisites for location of industries, problem of dispersal, infrastructure and entrepreneurial motivation to develop management skills, marketing know-now, market research, management consultancy prompt decision-making and advisory

services for industries in India. All these improvements require large amounts of credit to short medium and long periods.

Precisely, finance is to industry what blood is for body and the leading financial Institutions act as blood banks to the ' large and medium scale sectors. The transfusion of blood enriches the recipient but does not impoverish the donor. Financial support from institutional sources is not only essential for the growth of industry but is perhaps even necessary for its very survival. When finance is easily available, industrial development can be accelerated as the participation.

Scientific progress being always at a greater pace than technical progress, there is never dearth of technical knowledge in society. While an engineer translates the scientific discovery into workable technology, an entrepreneur puts it into commercial use and here he needs his power of disposal over factors of production, which according to Schumpeter, should be made available to him in the form of financial assistance from institutional agencies.

Financial needs of small scale industries may be broadly divided into two categories i.e. fixed capital and working capital. The first category i.e. fixed capital needs resources to be deployed to a long -period and the- second category involves resources for a short period. The long term finance is needed for creating assets like land and buildings, plant and machinery. The short-term finances are needed for purchasing of raw materials and for meeting the day-to-day requirements of business. The fixed capital requirement is met usually by issue of shares and debt securities. In small scale unit the equity capital is generally provided by the entrepreneurs themselves. The entrepreneurs often supplement their own contribution with funds raised from their friends and relatives. The small entrepreneurs also borrow on long term basis from the financial institutions and others to meet their fixed capital requirements.

The working capital requirements are met by drawing on: (a) Owner funds; (b) funds from operation; (c) long term borrowings; (d) Spontaneous financing (trade creditors), and (e) short-term borrowings. The working capital is needed to purchase raw materials, stores and to maintain required level of inventory.

It is also required to maintain cash balance and also to make credit sales to customers. Moreover, the present day financial requirements of the business are met out of the funds drawn on working capital. The level of working capital in any organization depends upon the operating cycle, nature of the business and the capital market situation.

But almost all industrial enterprises, particularly, in the small scale industrial units are suffering with inadequate working capital. In fact, the principal need of small concerns is working capital. The financial problem of the small scale units is aggravated by the tendency of their suppliers to demand immediate cash payments whereas their customers often insist on credit sales. The situation creates an additional problem of working capital finance. Thus, majority of the small scale industrial units suffer from financial problems.

Before, the nationalization of the commercial banks in 1969, the small scale enterprises were not having much dealing with commercial banks. The small entrepreneurs mostly depend upon the unorganized financial agencies. The main cause for step motherly treatment of small scale industries by commercial banks is that these units are not in a position to offer the guarantee as demanded by the banking sector. Most of the entrepreneurs who are either illiterate or semi-literate avoided borrowing from government agencies due to the cumbersome procedure.

A study group under the Chairmanship of late Prof. D. K. Gadgil (1969) observed that there was uneven distribution of credit to different economic sectors while it was virtually not available to certain types of borrowers, particularly small borrowers and weaker section of the community. The

sectoral distribution of credit by commercial banks is weighed in favour of large - scale industries, wholesale trade and commerce rather than agriculture, small scale industry, retail trade and small borrowers".²⁴

Distinction between Small Scale and Cottage Industry:

The main difference between small scale and cottage industries are:

1. Small Scale Industries are generally located as separate establishment while cottage industries are mainly associated with agriculture and allied activities and provide rural employment.
2. Small scale industry employ wage earning labour and production is done by the use of modern techniques of production while in cottage industries no wage earning person is employed. A few cottage industries, which are export oriented, have been included in the category of small-scale industries so that they can avail facilities provided to small units.
3. Small scale industries produce mainly merchandize equipments employing outside labour. While the cottage industries involve operations generally with the help of the members of the family manually.
4. Small scale sector is capital intensive while in cottage industries there is negligible capital investment.

Role of Small Scale Industries in the Promotion of Entrepreneurship:

The SSI sector traditionally occupies a prominent position in the national economy in terms of its size, spread, production, employment generation and balance regional development. It is a well established fact that the SSI plays an important role in the promotion of entrepreneurship. The growth of the sector has a catalytic effect on the overall growth of the entrepreneurs and ultimately the economic growth of the country. As per the Govt. of India's Tenth Five Year Plan (2002-07) achieving and sustaining high growth rate and employment will require sharp rate industrial and services growth.

²⁴ *Banking Finance*, Vol XXI, No7, July 2008

The ratcheting up of growth observed in recent years is reflected in the Eleventh Five Year Plan target of an annual growth of 9% relative to 8% target by the Tenth plan.

According to recent estimates there are about 3.572 million SSI units in the country, employing over 19.965 million workers, with an annual production of Rs. 7420.21 billion worth of a wide variety of goods, providing Rs. 51,150 crore of revenue to the government on an average of 11 per cent on production and Rs. 850.12 billion of export earnings. The SSI sector contributes 39 per cent of the total industrial production (2004-05) and over 34 per cent of national exports (2004-05). It provides employment opportunities to about 523 persons every one crore of rupees investment. Now there is a wide spread recognition that within India vibrant SSI sector is potentially a key to engine of economic growth, promotion of entrepreneurship and greater prosperity. Therefore, it can be said that Small Industries play a vital role in the promotion of entrepreneurship²⁵

Growth of Small Scale Industries in National Context:

Small scale industries sector forms an important constituent of unorganised manufacturing sector in India. These units emerged as an engine of growth in developing countries like India. Growth of Small Scale industries including village and cottage industries (SSIs) has been a specific focus on India's economic policies since independence. The Government has made many special policies for the development of SSIs and created a network of financing and support infrastructure to nurture SSIs. In this context, it is interesting to note that, over the years, the growth rate in SSI production remains consistently higher than that in medium and large industries. The share of SSI in exports has risen from around 24% in 1980-81 to 30% in 1990-91 and further to 34% in 2004-05. After taking into account, the indirect exports put

²⁵ *Banking Finance*, Vol XX, No11, Nov. 2007

the share of SSI export around 50 per cent. These indicate competitiveness of SSI and higher growth opportunities for the sector.

Significance of the Study

Entrepreneurship development may be referred as an action plan to create an entrepreneur who can develop business, take strategic decisions, can successfully cope with the business environment and can take business risks. It is aimed at socio-economic development, creation of employment opportunities, creation of entrepreneurial qualities among people poverty alleviation and creation of business culture among community. It generates motivation for the development of entrepreneurial competencies among prospective entrepreneurs.

Entrepreneurship development has the following basic issues viz. (a) the availability of financial resources, (b) the selection of real entrepreneurs, (c) the establishment of industrial units, (d) policy formulation for the development of entrepreneurs. It is process of providing information for enterprise promotion and sharpening entrepreneurial skills. It means imparting knowledge, providing technical know-how, providing finance, marketing and managerial skills to an entrepreneur for the successful establishment of an industrial unit.

Small and Medium Enterprises (SMEs) play a predominant role in most developed and developing economies not only because of their number and variety but also due to their involvement in all segments of the economy. Their contribution to regional development, their complementary role to support the large sector, and being a basis for innovations and adaptations are widely acknowledged. SMEs in most countries make up the majority of businesses and account for the highest proportion of employment. They produce about 25% of OECD exports and 35% of Asia's exports (Fisher and Reuber, 2000). SMEs account for a considerable share of industrial enterprises, employment and

production and therefore, occupy a place of strategic importance in Indian economy as well.²⁶

According to EIM business and policy research, small and medium enterprises (SMEs) in high-income countries- on an average, employ 64% of their country's total workforce, and their output accounts for 51% of the GDP. According to the latest economic census India has 26 million rural enterprises employing 51million people while 16 million urban enterprises employ 49million people, and the SME sector as a whole accounts for 27.2% of the GDP. Countries with poor business environment, costly regulations, bureaucracy, poor credit and banking system- tend to have a large 'shadow' sector, which indulges in commercial activities that are conducted outside the formal regulatory environment. It includes everything from hiring of casual labour, tax evasion and trademark infringements. In India, the percentage of workers having formal jobs is less than 7%, everybody suffers: workers in the informal sector lack job protection and basic benefits and the Government cannot collect taxes. There is a large pool of local entrepreneurs willing to be partner with good global/ national corporations they need opportunity, capital and handholding.

The private sector has a bigger and critical role to play in pulling up smaller entrepreneurs from the shadow culture. The possibilities are immense, e.g. Dupont is engaged in forward payments to corn farmers to improve cash flow, enabling purchasing of supplies in Colombia. Anglo American's Zimele supports entrepreneurs by taking equity in the local (small) businesses and building capacity in South Africa. But in India these opportunities are scantily available.

Despite the recent economic advances and a GDP growth rate i.e. covering around the 8-9% mark, almost 58% of the total population is still involved in agriculture and is languishing at less than 3% growth. Agriculture

²⁶ Bala Subrahmanya, 2003

is a sector. Cold chain infrastructure is one such area. India is the second largest producer of fruits and vegetables in the world with 10% of the world's total fruit production but some 43% of the product is wasted because of lack of cold storage facilities and energy infrastructure. Food processing is a key area for India but it is only recently the private sector entered this area. India processes about 1.3% of its total fruits and vegetable as against 80% in USA , 70% in Thailand while India leads in IT its cold storage infrastructure was built way back in the mid '60 mainly for potatoes and potato seeds. There is no nation wide provider of cold storage facilities.

Entrepreneurs require access to financial services and investment capital but most of them struggle. Some 90% of entrepreneurs in India are obliged to; source much of their financing from personal savings of unorganized financial markets at exorbitant interest rate. Financial institutions even in the developed world are reluctant to fund small businesses because of perceived risks and high transaction costs. Private equity stays away because of the complexity, and returns that are not juicy enough with interest rates, shorter payback times and high fixed costs, most entrepreneurs have no other option but to subscribe to the shadow system. However, there is reason to cheer. Large banks are now partnering with development agencies and NGOs to serve the small market.

Most entrepreneurs have this perception that their individual impact on the climate change is not significant. By engaging with entrepreneurs, assisting them with capacity building, and aiding them with compliance, particularly either environmental standard, large integrate sustainable development thinking into their production processes and operations.²⁷

The small and medium units in Punjab, Haryana, Himachal and Chandigarh have joined hands to persuade the Reserve Bank of India (RBI) to understand the growing financial needs to small players. Punjab alone has over

²⁷ *The Economic Times*, Monday, 6.10.08

200,000 small and medium units, which offer employment to a large number of people.

The Ministry of Defence has introduced the new offset policy under which 30 per cent of the total value of an order above Rs 100 Cr. would need to be produced indigenously. This has helped the SMEs in procuring orders, but funds access remains a constraint. Though other ministries were also contemplating introducing the same clause. This would mean more business for SMEs. The association with SMEs has helped power ministry hasten reforms, but the non-availability of funds inhibit the small players to graduate to the medium players. The guidelines issued by the bank for SME lending should be monitored by the RBI and 20% of the projected turnover should be the minimum lending to SMEs.

Under the periodic reviews by RBI, credit extended to SMEs should be paid special attention, as this sector was one of the largest employment generators. Reforms without regulation in the financial sector cannot fetch desired results as bank lending is the only debt instrument the SMEs can access, they want more transparency and support.²⁸

In the post-nationalization period, the banking system in India witnessed unprecedented growth and achieved phenomenal outreach. Notwithstanding this, empirical studies in the 1980s revealed that a very large number of the poorest of the poor continue to remain outside the reach of the formal banking system. It was realized that the existing banking policies, systems and procedures and deposits and loan products were not well suited to meet the credit needs of the poor.²⁹ So far as the scope of rural entrepreneurship is concerned, sky is the limit. With this maxim one has to understand the nature of rural entrepreneurship. Both nature and scope compliment each other with regards to rural entrepreneurship.

²⁸ *Business Standard*, Monday, 6.10.08, Vol. XV, No. 147

²⁹ *Banking Finance*, Vol XXI, No.8, June 2008

The post economic reforms of 1990s, is a witness to the various government schemes, and schemes launched by the World Bank, NABARD have significantly enhanced the application of rural entrepreneurship amongst the village folks. All these agencies are concentrating upon the importance and the diverse application of Self Help Group (SHG) and its successful operation. The basic philosophy of SHG is to open up the right path for the development and upliftment of the poor section of rural folks. It is also believed that the right to generate income opportunities is the right of every poor.

In the midst of prosperity, poverty is the biggest challenge before the modern world. The SHG promotes ethical and social human values besides economic development. It also happens to play a vital part in fostering of women empowerment. The SHG today is becoming a long term partner of the banking services. To maintain the dynamics of SHG the banking services have to discharge a responsible duty.

The banking services, besides looking into the different roles performed by the SHG that go to the interest of rural entrepreneurship, the banks were more interested in the village markets where those items could be brought and sold or promoted growth that were related with rural entrepreneurship. The bank loans encouraged the village people to open seed and fertilizer stores general merchant stores, stationery stores, readymade garments and chicken works.

Further, it also encouraged people to open up dairy shops, to engage themselves with carpet weaving, fruit and vegetable shops, leather works and various other types of self-generating employments. The banks also helped people to open up handlooms stores, small scale bulb industries and shops dealing with flowers and bouquets. In short, the banks provided diverse opportunities to these people to be masters of their self-dependent enterprises. Today, participation of the banking services has radically transformed the outlook of these people by making them self-sufficient and at the same time

making them an asset in increasing the national economy. These people are no longer a national liability; on the other hand they are coming to share a greater responsibility of the society and the country as a whole. Small and large - scale enterprises are the two pillars of the industrialization process of a country. Therefore, wherever thrust is given for industrialization, the existence of small scale units could be seen. The small scale industries both in the developed and developing countries are partly techno-economic and partly social. The small industries are widely dispersed in various cities, towns and villages.

This is due to the immense potential that these units have, in meeting partly the needs of the local surrounding markets centres and also due to the availability of local resources, such as raw materials, manpower and entrepreneurship.

Besides, the capital required for their investment on these is very little. In the contest of scarce capital in developing countries like India, small units economise the use of scarce capital and provide gainful employment.

The whole position occupied by the small units in the industrial structure of various advanced countries is worth noting. Small business in the USA has employed about 40 percent of the nation's labour force and accounted for roughly one third of the gross national product, about 31.2 percent of the business in the USA had an initial capital investment of US \$ 5000 or more.

In Japan 99.4 percent of all manufacturing units are in the small sector which account for 70 percent of the industrial employment, 50 percent of the industrial output and 40 percent of the export value of industrial products. In Germany 21 percent of all the employees engaged in manufacturing industries belonged to the small sector, similarly 26 percent of all manufacturing employees belonged to the small sector in the United Kingdom.

Small scale industries have been given an important place in India both for economic and ideological reasons. The industrialization acts both

as an instrument that creates capacity to absorb excess manpower and caters to the diversification of the market required at higher stages of economic development.³⁰

The contribution of small-scale industries towards the planned economic development of the country can be explained by means of their role in terms of value of output, employment - creation, exports and the number of units that sprang up every year. As at the end of 1998 & 99, the total number of SSI Units was 31.21 lakh.

The success of any industrial unit largely depends upon its ability to reduce true cost of production per unit of output and maintain its quality of output. However, there is a ' difference of opinion with regard to the question of whether large scale or small scale units are more efficient. Large scale industrial units are built around the following reasons.

Large scale industrial sector is more economical in working than small scale industrial units. They spread the overheads cost per unit of output and drive economy through large scale production. Large scale industrial units provide more employment and also produce more output than the small scale sectors. The champions of the small scale industrial organisations are reluctant to accept the fact that the large scale organisations bring in more efficient results.

. In small firms, the efficiency in production is attained by intra-plant economies through an effective coordination and supervision. Small scale sectors are more flexible and readily adaptable to the changing situations. Small scale organisation also conserves non-renewable resources like big ones.

Interest in the development of small scale industries was aroused only when it was realized that the development of large-scale industries in India was a difficult task.

³⁰ *Banking Finance*, Vol XXI, No.8, June 2008

A 'small scale industrial unit' is impressive for the following reasons:

- (i). It is generally a one - man show
- (ii). It is managed in a personalised fashion.
- (iii). It has a lesser gestation period when compared to its large -scale counterpart.
- (iv). Its scope of operation is generally localised in catering to the local and regional demands.
- (v). Small scale units use indigenous resources and hence can be located anywhere subject to the availability of resources.
- (vi). Generally it is labour - intensive.
- (vii). It is more change - susceptible, highly reactive and responsive to socio-economic conditions when compared to large - scale units.

1999-2000 the value of output of SSI sector stood at Rs.5,785 billion which accounted for about 32 percent of the gross domestic product, In the same year, emulative employment generated by SSI sector reached 17.85 million, which was more than twice as much as the employment generated by the organised private sector and more than 90 percent of the total Employment generated by the entire public sector in the country. Therefore, performance of SSI is a major determinant of Indian's economic development.

Small scale sector also prevents city-ward migration through balanced regional development. Further, they also serve the local needs and make use of locally available resources. All over the country the promotion and organisation of smaller units would lead to production by masses unlike--the mass production by a few large scale industrial sectors. These small industries also have a talent of dispersal. They can be made accessible in the remote or inaccessible rural areas of the country, and do not lead to concentration of industries at one place.

They thus help remove regional imbalances, which are responsible for many economic ills. At the same time they help in drawing out economic resource such as entrepreneurship and capital. Besides, they are labour oriented and hence very much suitable for a country like India to play a catalytic role the overall economic development.

There is need for development of small scale industries in order to (a) speed up industrialization on a decentralized and dispersed basis, (b) provide massive employment opportunities, (c) reduce wide inequalities in income and wealth distribution, (d) facilitate an effective mobilization of small and scattered savings for protection purposes, (e) accelerate the rate of economic growth, (f) provide avenues for broad based entrepreneurship, and (g) to meet increasing demand for consumer goods.

The small scale industry definition is very important aspect because it identifies the target groups for the government policy. According to Fiscal Commission (1949-50), small scale industry was one which was operated mainly with hired labour, usually 10 to 50 hands.

Thus these industries have a pivotal role to play in economic development, particularly in India, which is characterized by under utilized labour force on the one hand and scarcity of capital on the other.

In India, the earlier development planning keeping its stress on the development of large scale industry failed to solve the problems like balanced regional development, gainful employment to millions of unemployed and equitable distribution of benefits of industrialization.

Thus, it has been realized later that the pattern of industrialization could not be the same as the pattern of industrialization in western countries due to the fact that India is a over populated country with wide regional imbalances and scarcity of capital. Moreover, the welfare objectives ensured in the constitution imply that in the process of development, the common man's

welfare is to be given top priority. The guiding principle of the socialistic pattern of society also dictates that the small scale should be recognized as the means to achieve equitable growth.

Therefore, increasing attention has been given to the development of small scale units since the beginning of the second Five Year Plan period.

This becomes evident in larger plan allocations to the small scale units and in wide ranging incentives and support programmes. Under the various industrial policy resolutions, the main role assigned to these small industries envisages,

- a) Creation of employment opportunities on a massive scale with relatively small capita investment.
- b) Meeting a substantial part of the increased demand for consumer goods and simple producer goods.
- c) Facilitating the mobilization of local resources which would otherwise remain unutilized in the rural areas and
- d) Removal of regional imbalances through a deliberate policy of encouraging growth in, villages and small towns.³¹

Canara Bank has roped in five public sector banks and SIDBI (Small Industries Development Bank of India) to float the Bharat Nirman Fund that will promote entrepreneurship and provide impetus to manufacturing and services. It will be the fourth fund floated by its subsidiary Canbank Venture Capital Fund (CVCF).

Set up with a corpus of Rs. 550 million (\$11.9 million) including seed capital from Allahabad Bank, Corporation Bank, Indian Overseas Bank, Oriental Bank of Commerce, Vijaya Bank and SIDBI, the new fund will have an eight-year maturity period.

³¹ *Banking Finance*, Vol XXI, No.7, July 2008

Launching the fund, Canara Bank Chairman MBN Rao said it was the first time that six leading commercial banks and SIDBI had joined hands for such a venture. This is a maiden venture formed jointly to invest in emerging businesses across verticals spanning IT/ITES/BPO, telecom, biotechnology, healthcare, pharmaceuticals, engineering, automobile, textiles and infrastructure.

Though public sector banks handle about 70 percent of total deposits and advances in the banking industry, their exposure to venture capital funding has been tardy. We want to narrow the gap and accelerate the growth of entrepreneurship. For instance, venture capital and private equity funds invested \$1.3 billion (Rs. 57.85 billion) during the first nine months of this calendar year as against \$1.1 billion (Rs. 48.95 billion) last year and \$774 million (Rs. 34.43 billion) in 2003. Venture capital investment in the country is estimated to rise to a whopping \$11.1 billion (Rs. 493.95 billion) by 2008.³²

Problems and Issues for Present Research:

The promotion of entrepreneurship which encompasses the economic growth, industrial development, employment generation, poverty alleviation and balanced regional development etc has generated the far reaching effect on the economy. In terms of entrepreneurship development, the SIDBI has brought certain opportunities. The opportunities could be summed up as the impetus to quality, efficiency, employment generation and availability of finance to entrepreneurs and SMEs. On the other hand, threats include the increased competition, low productivity, threats to employment due to increased capital intensive techniques etc. These factors ultimately affect the growth of the entrepreneurship.

In this background, it is imperative to analyze the role of SIDBI in the promotion of entrepreneurship in U.P. so that ultimate picture could be traced

³² *The Times of India*, New Delhi.

out and the policy formulation could be made in such a way that the hindrances to the entrepreneurship could be escaped.

The following are the main problems and issues of the study:

1. Lack of support from male members (of the families) as well as banks
2. Large magnitude of the target group of poor people
3. Attitudinal rigidities
4. Difficulty in creating awareness among people
5. Limited resources with the NGOs
6. Large requirements of training and sensitization of issues
7. Limited number of experienced intervention agencies
8. Diversities of situations due to wide coverage

Research Gap:

Obviously, no doubt, many studies have been conducted on SIDBI, and entrepreneurship, SSIs, banking, marketing, industrialization etc. in reference of Uttar Pradesh by different scholars. As the available literature shows different aspect of these issues are mainly researched/studied so far. There is hardly any thorough and integrated investigation on the Role of SIDBI in promotion of entrepreneurship in Uttar Pradesh. The present study is an attempt in this direction.

A deep insight is needed to understand the problems of entrepreneurship development and role of SIDBI and to find out ways and means which can induce more assistance from such financial institutions for the promotion of entrepreneurship, so as to pave the way for overall development of the country.

Hypotheses:

In order to substantiate the above objectives the following hypotheses have been framed:

H₀₁ Finance acts as a constraint in the growth of entrepreneurship in U.P.

- Ho₂** SIDBI with its tremendous potential can slowly solve the problem of finance of entrepreneurs in U.P.
- Ho₃** The institutional arrangements for credit to small scale industries in the U.P. have not been satisfactory.
- Ho₄** The supply of credit to SSIs in U.P. had not been significant in relation to the targets.
- Ho₅** The utilisation of credit by SSIs has not been satisfactory.

Scope of the Study:

The Small Scale Industries Development Bank of India has been a pioneer in the field of small scale industries and development of entrepreneurship in India. It is an important financial institution in India with regard to entrepreneurship development. The scope of study is to highlight the working of SIDBI in the promotion of entrepreneurship and SMEs in the state of Uttar Pradesh. SIDBI is one of the best managed financial institutions working for the development of entrepreneurship. Hence, it was made to study the role of SIDBI in the promotion of entrepreneurship in U.P. The researcher has considered the Entrepreneurship Development, the Small Scale Industries (SSIs), Micro, Small and Medium Enterprises (MSMEs) and SMEs as same. Until 2005 the SMEs were under the purview of the SSIs but after the enactment of the MSMED Act 2005, the SMEs in India are officially recognised as the Micro, Small and Medium Enterprises (MSMEs). The scope of the study is wide and bright in the sense that due to the lack of attention from government and non availability of finance to MSMEs and entrepreneurs hinders the development of entrepreneurship, but the study has made an attempt to overcome the obstacles of entrepreneurship development by bringing valuable suggestions to the limelight.

Aims and Objectives of the Study:

1. To identify the different sources of financing for entrepreneurship development.
2. To assess the problems of SSIs and entrepreneurs in availing term loans from financial institutions.
3. To examine the problems faced by entrepreneurs in getting their capital requirements from financial institutions.
4. To identify and analyse the role of Small Industries Development Bank of India (SIDBI) in promotion of entrepreneurship in U.P.
5. To suggest suitable measures to improve the role of SIDBI in the promotion of SSI and entrepreneurship in U.P.

FRAMEWORK OF THE STUDY:

(a) Research Design and Methodology:

Research methodology describes different methods used in this study and explains the chosen methods. It further describes the purpose, research approach, research strategy and data collection methods and analysis approach. Furthermore, it describes the chosen sampling techniques used to analyze the data. In addition, the issue of reliability and validity of the presented study is discussed.

(b) Research Purpose:

The purpose of research revolves around the role of SIDBI in the promotion of entrepreneurship in Uttar Pradesh. There are several techniques which could be used to carry out research based on research problem area.

The purpose of the research and research question reveals, that this is mainly a combination of exploratory and explanatory technique, it is exploratory because the data has been collected through questionnaire and personal interviews were conducted to explore the various perceptions of entrepreneurs, SIDBI employees and employees and MSME related to the role

of SIDBI in the promotion of entrepreneurship in U.P., it is explanatory because here in the study we are trying to compare various variables and trying to understand their cause and effect relationship.

(c) Research Approach:

The research on “Role of SIDBI in the promotion of entrepreneurship in U.P.” is an extensive study of entrepreneurs and SIDBI. The study has been conducted both on Qualitative and Quantitative Approach, thus to gain deeper understanding of the Perception of Entrepreneurship Development in U.P., Qualitative approaches has been used, which provides richer details for exploring viewpoints in the early stages of research, hence the aim is not to make any simplifications, but instead establish a closer contact with the objectives of research, which intends to provide us a deeper understanding of role of SIDBI in the promotion of entrepreneurship in U.P.

(d) Sample Collection:

Sampling is a survey-based research where researcher needs to analyze the sample about a population to answer questions or meet the research objectives. Once the problem has been carefully defined, the researcher needs to establish the sample that will outline the investigation to be carried out. It is necessary for researcher to clearly define the target population from whom sample will be taken. Sampling is important if budget and time constraints prevent research from surveying the entire population. Sample gives higher accuracy and fast results with respect to the sampling; a convenience sampling was utilized to survey about 100 respondents, taking 40 entrepreneurs, 30 SIDBI employees and 30 MSMEs employees.

(e) Probability Sampling:

In Probability Sampling, the sample is selected in such a way that each unit within the population has a known chance of being selected. It is this concept of “Known Chance” that allows for the statistical projection of

characteristics based on the sample to the population. The advantage of probability is that sampling error can be calculated. Sampling error is the degree to which a sample might differ from the population, in this research we have used this technique, for which we have taken the whole U.P.

(f) Data Collection Methods:

Case studies and questionnaire are used to collect the empirical data for this research in order to identify the role of SIDBI in the promotion of entrepreneurship in U.P.

The research's main concern is examining the role of SIDBI in the promotion of entrepreneurship in U.P., the questionnaire has been designed keeping all these aspects in mind.

(g) Questionnaire:

The data for the study were collected through a questionnaire. The questionnaire was constructed in two sections consisting of 50 questions.

The first section attempts to verify the profile of the respondents, it gathers information i.e. profile of the respondent. The second section attempts to measure the perception of respondents over role of SIDBI in promotion of entrepreneurship in U.P. In the questionnaire, all concepts are measured based on using five-point scales ranging from "strongly agree"(1) to "strongly disagree" (5).

(h) Pilot Study:

Once came up with the first draft of questionnaire, a set of few questionnaires were discussed and consulted with entrepreneurs, SIDBI employees and MSME employees in order to testify the relevance of the questions, after modifying some questions a well improved questionnaire was developed. The pilot test was conducted on 30 people out of whom 25 people responded. The test was followed by many revisions, before it was sent for final survey.

The present study is based on primary and secondary data. For the purpose of the study, primary data is obtained through well designed questionnaire from Entrepreneurs, SIDBI officials as well as government functionaries. Primary data were collected through sample survey. The specific schedule designed for the purpose was canvassed through personal interview and the information given by the respondents was thus recorded. In addition to this the researcher held discussions with the official of the banks of the sample areas to elicit required and relevant information.

Secondary data were obtained from Annual reports of SIDBI, Annual Reports of Development Banks, various books, magazines, journals and internet etc. The main sources of secondary data include the publication of Reserve Bank of India viz., Reports on Currency and Finance, RBI Bulletins, statistical tables relating to banks of India, reports on trends and progress, reports of the Banking Commission and Industrial Hand Book. In addition to all these sources, important pieces of information pertaining to the different research journals and reports.

Primary data is collected from 100 respondents through a well structured questionnaire consisting of 40 entrepreneurs, 30 SIDBI employees and 30 MSME employees. Various statistical tools like Mean, Standard Deviation, Skewness, Chi-Square and Two-Sample Kolmogorov-Smirnov (Ks) Z –Test have been used to analyze and interpret the data in a meaningful manner. (Appendix II)

Limitations of the Study:

- a) The main limitation is that the entrepreneurs are not cooperative in disclosing their information.
- b) Majority of the entrepreneurs and SSI units never maintain proper accounting records. Similarly most of the financial institutions do not have records of small scale units.

- c) The conclusions of the study may not be universal to all the districts in U.P. as well as other parts of the country because different districts and areas may have different problems and may need different solutions.

Scheme of Chapterisation:

The present work has been divided into seven chapters.

The first chapter deals with the introduction of entrepreneurship development which includes significance of the study, problems of the study, aims and objectives of the study, scope of the study, hypotheses, research methodology and limitations of the study. The second chapter has been devoted to review of literature. The third chapter has been devoted to evaluate the role of financial institutions in the development of entrepreneurship and SSI. The fourth chapter has been devoted to study the socio-economic profile of Uttar Pradesh. The fifth chapter examines the growth, development and role of SIDBI in the promotion of entrepreneurship in U.P. The sixth chapter deals with the problems and prospects of development of entrepreneurship and SSI in U.P. The seventh chapter has been devoted to a comparative study of selected branches of SIDBI and their analysis and interpretation. The eighth and last chapter gives summary, conclusions, suggestions and recommendations.

Chapter -2

REVIEW OF LITERATURE

- ❖ Sociological and psychological view
- ❖ Conclusion

Chapter 2

REVIEW OF LITERATURE

Conventionally the review of literature forms an important part of research because it deals with critical examination of various published and unpublished works related to the study undertaken. Therefore, a brief review of various works of individual authors as well as several committee reports related to the financial and institutional support to MSME, Entrepreneurship and Entrepreneurship Development have been highlighted. Many scholars have studied the various aspects of entrepreneurship in India and abroad. Therefore, it will be necessary to have a brief review of some of the work done so far in this field.

Schumpeter, Joseph in his book entitled '*The Theory of Economic Development*' (1959), says that entrepreneurship is based on purposeful and systematic innovation. It included not only the independent businessmen but also company directors and managers who actually carry out innovative functions".¹

Cole, Arthur in his book entitled '*Business Enterprise and its Social Setting*' (1959), says that entrepreneurship is the purposeful activity of an individual or a group of associated individuals, undertaken to initiate, maintain or aggrandize profit by production or distribution of economic goods and services".²

Higgins, in his book entitled '*The Economic Development of India*' (1986) explains that entrepreneurship is meant the function of seeking investment and production opportunity organizing an enterprise to undertake a new production process, raising capital, hiring labour arranging the supply of raw material, finding site, introducing a new technique, discovering new

¹ Schumfler Joseph A., *The Theory of Economic Development*, Harvard Univ. Press Cambridge March, 1959, p66

² Arthur H. Cook (1959), *Business Enterprise and its Social Setting*, Harvard Univ. Press.

sources of raw material and selecting top managers for day to day operations of the enterprise”.³

The Abid Hussain Committee on Small Enterprises (1997) has enunciated new policy directions, recognizing the high growth potential of the sections. The committee has recommended among other things: replacement of protectionism by promotion, focus on SSI clusters, increasing investment limits, exemption of excise limit, providing timely and adequate finance factoring services, venture capital, providing at least 70% of the total SSI finance to the tiny sector a separate loan for the SSI section, corporation of small industries of small industries services institute and deregulation of controls. The committee suggested that, with the liberalization of the country's economy and greater efforts to reach foreign markets, reservation products. For small and tiny enterprises would hinder achieving the economics of scale and level of quality necessary to complete an open economy. They meant that the small enterprises had to face greater competition from wages firms on the hand and on the other due to the deregulation of the financial market resulting markets determined interest rates. They had to been higher interest cost compared bigger companies.⁴

The Nayak Committee (1992) set up by the Reserve Bank of India in December 1991 had mentioned as one of its recommendations that the SSI units should obtain 20% of its annual projected turnover by way of working capital. Following this the RBI issued a number of guidelines advising the banks to grant working capital to the extent of 20% of the projected annual turnover. An analysis of the responses received shows that there has been some improvement over time in the grant of working capital loans to the SSI units by the banks. While five years ago 35% of the respondents were getting between '10% to 20%' of their projected annual turnover as working capital loans, the proportion has improved to 42% at present. The banks would do well if they could provide greater assistance to nearly the third of the respondents who have

³ B. Higgins (1986), *The Economic Development of India*.

⁴ *SIDBI Report on Small Scale Sector*, 1997, p.68

been getting less than 10% of their projected annual turnover as working capital loans.⁵

Ramesha , K. in his book '*Institutional Credit to SSI Sector Role of Bank and SFCs in the Post Reforms Scenario*' (1994) examined the trends in credit supplied to small scale industries by Scheduled Commercial Banks (SCBs) and State Financial Corporations (SFCs) and their inter state disparity. The study found that commercial banks continue to play an important role in financing SSI sector. However, the growth rate of bank credit has been low as compared to the growth rate of population from the SSI sector. Therefore, we can say that banking sector has in a way failed to meet the increasing credit requirements of SSI sector. The inter-state disparities in the distribution of credit have also widened between 1989-90 and 1995-96. Moreover, the credit from SFCs term credit has shown relatively higher growth rate as compared to banks credit (short-term) but still inter-state disparity in SFCs credit has also widened during the reference period. Further, there seems to be a sort of complementary relationship between Banks and SFCs in financing small-scale sector. Majority of the states that had low bank credit happened to relatively strong in SFCs credit and credit and vice-versa and this is in a waypoint to the above observation.⁶

Prasad, J. Chandra & Rao, V. Nareayna (1996) in their study '*Small Scale Industry in the Area of Export*' has observed that finance stands as a major bottleneck in the way of export activity of SSI sector. Some units though produce exports potential items, could not tap the markets due to lack of finance and the consequent export promotion handicap.⁷

Rao, A. Ramkrishna, Rajagopal, K and Munniswamy, V.V. in their paper, viz. '*Study of Effect of Project Delay on Project Productivity in Small Scale Units*' (1997) studied the effect of project delay on project productivity of actual cash flow and planned cash flow is one of the reasons for delay of

⁵ SIDBI Report on Small Scale Sector, 1999, p.67

⁶ Ramesha, K, Institutional Credit to SSI Sector Role of Bank and SFCs in the Post Reforms Scenario", *The Asian Economic Review*, Vol 41 No.1, April, 199, pp 20-31

⁷ Prasad, J. Chandra, "Small Scale Industry in the Area of Export", *Southern Economist*, Vol 34, No. 17, Jan.1, 1996, pp 7-12

project. So, banks and financial institutions should have regular interaction with the entrepreneurs in order to reduce delay in disbursements of loan. Technically qualified staff should be associated in project appraisal during the implementation stage. Sickness of SSI units during the project stage is due to the shortage of funds at right time. That is why the small units require timely credit rather than cheap credit. The schedule of higher investment activities at the end is a better schedule than the schedule of project with higher investment at the beginning.⁸

Mali, D.D (1998) in his study '*Development of Micro Small and Medium Enterprises of India: Current Scenario and Challenges*' has observed that Small and Medium Enterprises (SMEs) and micro enterprises have to face increasing competition in current scenario. "Quality withhold the key" and along with it they have to specifically improve in the areas of management, capability, marketing, product diversification, technological upgradation, infrastructure development, attitudinal changes among officers, banks and financial institution for smooth credit flow to the small and medium enterprises (SMEs) and micro enterprises. Moreover, new small and medium enterprises (SMEs) army have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighboring countries. Data bank industries to guide to prospective entrepreneurs including investors abroad are also needed.⁹

Mitra, S.K. (1998) in his study '*Small Scale Industries, Credit Opportunities and Marketing Assistance*,' (SEDME) Small Enterprises Development' observed that the main factors affecting flow of credit to the SSI sector could be broadly categorized into two segments. One set of reasons indicate shortcomings inherent in SSI like a weak financial base, which

⁸ Rao, A. Ramakrishna, etd. "Study of Effect of Project Delay on Project Productivity in Small Scale Units" *Finance India*, Vol. 11, No2, June, 1997.

⁹ Mali, DD, "Development of Micro Small and Medium Enterprises of India: Current Scenario and Challenges", *Small Enterprises Development, Management and Extension (SEDME) Journal*, Vol. 25, No.7 Dec. 1998.

eventually prompts the entrepreneurs to bring in funds by way of loan rather than capital, improper maintenance of book of accounts, inability to provide collateral security, delay in payments by the larger units, lack of appreciation of financial data required by banks or financial institutions etc. The second sets of reasons are attributes to be operational restraints and perceptions of banks and financial institutions like the administrative cost of lending to small borrowers are relatively high thereby resulting in a disincentive to lend to SSI units. High mortality rate, sickness exists amongst the SSI units. The concessional interest rate does not motivate the financial institutions intrinsically to invest in SSI units etc.¹⁰

Kapur, S.L. Committee (1998) studied the various problems relating to the credit flow to SSI sector and to suggest appropriate measures for their redressal. The Committee found the performance of Commercial Banks unsatisfactory in respect of small-scale industries financing persisted with regard to non-adherence of working capital norms as suggested by Nayak Committee and poor flow of credit to tiny units. The loan application forms prescribed by banks for small loans were complicated. No separate earmarking of funds by Banks for working capital loan existed. Banking staff management was not well trained in the task of appraising small-scale industries projects.¹¹

Kaveri, V.S. (1998) in his study '*Financing of Small Scale Industries-Issues and Suggestions*' made an attempt to discuss issues related to bank finance to small-scale industries. He concluded that due to economic liberalization and financial sector reforms small scale industries have a bright future provided they remain economically viable. Modernization is the need of the hour for which they will require increasing credit from the banking sector. Therefore, there should be cordial relationship between banks and borrowers.

¹⁰ Mitra, S.K., Small Scale Industries, Credit Opportunities and Marketing Assistance, *Small Enterprises Development, Management and Extension (SEDME) Journal*, Vol. 25, No.4 Dec. 1998.

¹¹ SIDBI Report on Small Scale Sector, 1999, p.69

Moreover, there is need for educating both, for timely and adequate flow of institutional credit to SSI sector.¹²

Reddy C. Sivarami, Reddy, P. Mohan and Reddy, Harinatha (1999) made an analysis of various sources of working capital financing in small scale industries group so as to ascertain the significance and dependability of each of these sources. They concluded that in majority of SSI excessive long term financing of working capital was resorted to. Such a situation deprives funds for long term purposes on the one hand and adversely affects their profitability on the other. The long-term funds are excessively used to finance working capital needs of small-scale industries, as these units were not able to tap required funds for working capital from commercial banks.¹³

Rajendran, N. (1999) made a study to examine the various kinds of assistance given by the institution with the prime objective of identifying institutional assistance for the development of small-scale industries and the problems faced by small-scale industries of Tiruchirapalli district. He concluded that the greatest problem faced by the small entrepreneurs was non-availability of adequate financial assistance. Moreover, the small enterprises also face raw material, marketing, technological and administrative problems. There were complicated procedures in availing loans from financial institutions and no coordination exists between the promotional institutions and government agencies.¹⁴

Vikram in his book entitled '*Institutional Financial Assistance for Technological Modernisation of Small Scale Industries and Constraints*' (1999) studied the current state of institutional finance especially for technological upgradation and the problems faced by the financial institution in

¹² Kaveri, V.S., Financing of Small Scale Industries-Issues and Suggestions, *SEDME*, Vol. 25, No.3, September, 1998

¹³ Reddy, C.Sivarami, Financing of Working Capital in Small Scale Industry, An Analysis, *Banking Finance*, Vol. 12, Dec. 1999, pp 3-6 & 16.

¹⁴ Rajendra, N. Institutional Assistance for Small Scale Industries in Trichunapalli District, *SEDME Journal*, Vol 26, No2, June 1999.

offering credit and the small enterprises in absorbing such credit flows for this purpose. In his study he concluded that the industrial sector in India was dominated by SSI but this sector suffers from technological backwardness. Therefore, for technological upgradation small enterprises require ample financial and technical support from the Government agencies and other financial institutions.¹⁵

George Suni in his book entitled '*Scale Industries and Economic Liberalization: A micro view*' (2000) studies small scale industries and economic liberalization and concludes that all is not well with small scale industries even today. Protection policy has led SSI to remain small to become more inefficient with poor product quality. It is not protection but competition should be the rule of the day. Efficient management, strong marketing strategy to cope with international marketing standards, production of world-class products with top quality, alone can infuse a greater degree of competition in SSI sector. The government should provide infrastructure at reasonable cost, and in small scale sector where we have traditional skills in finishing and manufacturing, government must liberally allow import of raw materials to attract foreign investors who can set up comparatively low cost production base in India.¹⁶

Sundar K., Gandhi, R. Kumar and Gangatharam ,G. (2002) studied the role of SIDBI in meeting financial requirement of small scale industries through its various loan programmes. They conclude that the role of SIDBI in providing financial assistance is generally commendable both in terms of number of schemes sanctioned and the quantum of loans disbursed over a period of 8 years. The Banking is mainly financing to small-scale industries through 'Refinance' and 'Bills Financing' scheme. But bank's performance is

¹⁵ Chadha, Vkrum, Institutional Financial Assistance for Technological Modernisation of Small Scale Industries and Constraints, *SEDME Journal*, Vol. 26, No.3, Sept. 1999, pp 73-93.

¹⁶ Sunni George, J., Small Scale Industries and Economic Liberalization; a micro view, *Southern Economist*, Vol 39, No.4, June , 15, 2000, pp 13-14.

not so impressive in case of promotional and development assistance, project financing and equity financing.¹⁷

Anthony, Valsamma (2002) in his study of the prospects and growth of small-scale industries in India highlighted that adequate and timely availability of working capital and marketing avenues of small-scale industries products should be ensured for improving their competitive strength in the domestic and global markets. There is need for providing better information and excellent networking for the small-scale industries besides development of quality infrastructural facilities. The small-scale sector can go on wings with the sincere efforts of the entrepreneurs, the dedicated functioning of the promotional agencies without red tape or bureaucratic delays and pragmatic approach by the government. Nowadays the SIDBI was expanded and new scheme of Technology Development and Modernization fund (TDMF), is launched with a corpus of Rs. 200 crores for direct assistance of small-scale industries to encourage existing industrial units in the sector to modernize their production facilities and adopt improved and update technology so as to strength their export capabilities.¹⁸

Credit Related Development Scheme (2004) based on the Kapur Committee recommendations specialized bank branches for SSIs lending have been set up. By March 2004, there were 417 such bank branches in the country but they have not achieved the desired objectives. It was also found that availability of credit is a major problem. To check this problem Standing Advisory Committee of RBI in Feb. 2004 was constituted to reduce the credit cost and the Finance Minister announced the creation of SSI fund of Rs. 200 crores in Jan. 2004.¹⁹

¹⁷ Sunder K., The Role of SIDBI in Financing SSIs, *Sothern Economist*, Vol 41, No.1 May1, 2002, PP 27-29

¹⁸ Anthony, Valsamma, The Prospects and Growth of SSI in India An Overview, *Southern Economists*, Vol. 41, No.1, May, 2003

¹⁹ *SIDBI Annual, Report*, pp 23-24

Bhatia, B. investigated into the history and present situation of 50 small units located in Punjab State. He studied the socio-economic background of entrepreneurs, their attitude towards industry, the ways in which they have made the transition to industry and the problems they have faced in establishing and building up their enterprise.²⁰

McCrory, James T.²¹, Ghosal, S. N. and Sharma,²² M. D., Gaikwad, etc., have discussed the entrepreneurial development and its varied aspects, but it is rather surprising to note that none of the earlier studies has provided any model for the analysis of entrepreneurship in its role perspective. Mostly they have tried to analyse the entrepreneurial growth in certain communities and societies over a long period of time. The entrepreneurial growth in the communities over a period of time and entrepreneurial performance in a concrete organisational set up are different phenomena though they are interlinked.

Entrepreneurship appears in the writings of Smith, Adam also but not explicitly. For him, an entrepreneur is the undertaker, the master or the merchant. To Smith, accumulation of capital was the essential function of the undertaker, the master, or the merchant. He accumulates capital and with this capital acquires command over land, and then hires labour to work on hand. By initiating this round about process of production he takes risk. But beyond this, all he does is to supervise and manage his concern in a way to yield the maximum gain to him. Here we get into the difficulty of distinguishing the entrepreneur from the affluent capitalist or the efficient Manager.

²⁰ B.S. Bhatia, New Industrial Entrepreneurs: Their Origins and Problems, *Journal of General Management*, Vol, 12, June, 1975

²¹ James T. McCrory, Case Studies in Latent Industrial Potential: Small Industry in a North Indian Town, *Ministry of Commerce and Industry, Govt. of India*, Delhi, 1956.

²² S.N. Ghoshal and M.D. Sharma, Entrepreneurial Lag Needs Standardisation in Project Appraisal and Identification of Industries, *The Indian Journal of Commerce*, Vol. XVIII part IV, No.65, Dec., 1965.

Sociological and psychological view:

In the Weberian system, (1930) the driving entrepreneurial energies are generated by the adoption of exogenously supplied religious beliefs. These beliefs are applicable both in their direct implications for practical conduct and in the entrained anxiety to generate signs of the favourable predestination, product intensive exertion in occupational pursuits, the systematic ordering of means to ends, and the accumulation of productive assets.²³

Haggen's (1961) view of economic development does not stress the spread of markets, capital accumulation, the perception of profitable opportunities, willingness to save and the like. Rather, economic development is seen almost exclusively as a process of technological change which is brought about by the technological creativity of individuals in the society. Thus Haggen sees the entrepreneurs as a creative problem-solver interested in things in the practical and technological realm and driven by a duty to achieve.²⁴

Collins, Moore und others (1964) have examined a subcategory of business leaders. Their study of innovating entrepreneurs revealed that many of their subjects had experienced childhood poverty and disrupted family lives which stimulated strong motivations for personal achievement.²⁵

Levine, Robert (1966) argues that the socialization of children will be regulated by the type of status mobility system that prevails in that society. Where higher status is attained through outstanding performance in one's occupational role, parents will try to foster in their children initiative, industriousness and foresight through self-reliance and achievement training. He postulates that this is what occurs in Ibo Society in Nigeria. It is an

²³ Weber M; *The Protestant Ethic and Sprit of Capitalism*, New York, 1930

²⁴ Haggen Everett, *How Economic Growth Begin: A Study on the Theory of Social Change*, Cambridge Mass Institute of Technology, 1961

²⁵ Haggen Everett, *How Economic Growth Begin: A Study on the Theory of Social Change*, Cambridge Mass Institute of Technology, 1961

interesting variant on McClelland's theory concerning the factors determining the child parent relationship.²⁶

Myrdal, Gunnar (1970) has also advocated the need for reorientation of conventional approach to economic-development and of evolving a sociological approach.²⁷

Gadgil, D.R. (1959) has studied the historical perspectives of Indian entrepreneurship. In his interpretation of the modern Indian business class he has concentrated on the social communities involved in trade, finance and industries in different geographical areas.²⁸

Lamb (1959) has studied the participation of different communities in business in nineteenth century. He writes one is puzzled by the apparent contradiction between hierarchical view of society as contained in Indian caste and the obvious vigour of Indian trading communities.²⁹

Pathak, H.M. (1972) has conducted a survey of 12 units over a period of two years with a view to evaluate entrepreneurship. He studied the problems at three stages-inception, operational and expansion/diversification. He finds that the factors like contact, education and finance playing an important part in entrepreneurial performance.³⁰

Nafziger (1975) has conducted a survey of 54 small scale manufacturing enterprises in Visakhapatnam. He has studied the distribution of entrepreneurs by caste and class, occupational background, managerial experience, educational attainment and access to Govt. assistance. He found in his study that entrepreneurs are from families with a high economic status.³¹

²⁶ Levine R. *Dreams and Deeds, Achievement Motivation in Nigeria*, Chicago, 1966 Chapter 2

²⁷ Gunnar Myrdal, *Challenge of the World Poverty*, The Penguin Press, Allen Lane, London, 1970

²⁸ D.R. Gadgil, *Origin of the Modern Indian Business Class- An Interim Report, Institute of Pacific Relation*, New York 1959

²⁹ Helen B. Lamb, "The Indian Merchant" in Milton Singer (ed), *Traditional India- Structure and Change*, American Folklore Society, Philadelphia 1959 p-25

³⁰ Pathak H.M. *The Entrepreneur Technician and Manager in Small Scale Units, Economic and Political Weekly, Review of Management*, Vol. VII No. 148 Nov 1972 pp M 179-187

³¹ Nafziger E. *Wajene Class, Caste and Community of South Indian Industrialist, An Examination of Horatio alga Model, Journal of Development Studies* Vol II, No 2 Jan 1975 pp 131-148

Sharma, R.A. (1985) Investigated the 'relationship between entrepreneurial background and entrepreneurial performance'. He focused his study on the following points, (i) to identify the entrepreneurial class that came forward to launch its enterprises during 1961 -63 and bring out its economic, social, and geographic origins; (ii) to measure performance of the entrepreneurial class and ascertain whether there exists a relationship between economic and social backgrounds of the entrepreneurs and their performance; and (iii) to scrutinize environmental factors which impeded a vigorous display of entrepreneurship.³²

Gaikwad, V.R. and Tripathi, R.N. (1970) has conducted a survey of small entrepreneurs of west Godavari district in Andhra Pradesh. He observed the following in his study.

- 1) Entrepreneurs are persons with initiative desire and hard working though most of them had no technical knowledge, no political connection.
- 2) The findings are important for policy makers as the tradesman are often looked upon as potential entrepreneurs.³³

Guha, Amalendu (1970) has reviewed the development of Parsi entrepreneurs during 1750-1850. He found in his study that the success of Parsi has been due to their greater ability to adjust themselves to European power and their relative, non-involvement in earlier civil and military administration.³⁴

Mandy, Ashis (1973) has conducted a survey of small scale entrepreneurs and non-entrepreneurs of Hawarah, Bengal to study the entrepreneurs and non-enterprising cultures. He observed in his study that in an enterprising community, entrepreneur I contributed substantially to

³² R.A. Sharma, *Entrepreneurial Performance in Indian Industry*, NTA Indian Publications, New Delhi, 1985 pp 150-159

³³ Gaikwad V.R. and Tripathi R.N., *Socio-psychological Factors Influencing Industrial Entrepreneurship in Rural Areas*, *National Institute of Community Development*, Hyderabad.

³⁴ Guha Amalendu, *Parsi Sets as Entrepreneurs 1750-1850*, *Economic and Political Weekly*, Vol. V No. 48 1970

entrepreneurship. There is a significant I association between power and entrepreneurship.³⁵

Small Industries Extension Training Institute Hyderabad (SIET), 1974 has conducted a survey of 61 small scale entrepreneurs in Hyderabad and Secunderabad. The study reveals the following-facts:

1) The factors like economic gain, ambition, social prestige and social responsibility have been the reason for starting small industrial units. (2) Capital shortage and government red tape have been the most discouraging factors. (3) Younger age, formal education, urban background, experience in industry, risk taking and adopting propensity were some of the characteristics of the entrepreneurs.³⁶

Sharma, K.L. (1975) has found in his study that entrepreneurs in Uttar Pradesh have high entrepreneurial orientation than entrepreneurial commitment and achievement. The low entrepreneurial achievement is attributed to non-conducive socio-economic milieu, non-commitment of workers and officials, and shortage of raw material and capital. It can be assumed by providing conducive environment.³⁷

Singh, Sheobhal (1985) has conducted a survey of 100 Carpet manufacturing firms in Bhadoi. He studied the social composition of entrepreneurs and role of entrepreneurs in the development and modernisation of town. The findings of his study are as follows:

(1) 65 percent of entrepreneurs belong to joint families. (2) 30 percent of entrepreneurs are Muslims and 56 percent are Hindus. Religion has played a very insignificant role in determining the entrepreneurial involvement. (3) A caste wise analysis of the entrepreneurs shows that

³⁵ Ashis Mandy, "Entrepreneurial Cultures" *Economic and Political Weekly*, Vol VII No. 47 Nov 24, 1973, pp 98-105

³⁶ SIET: *Socio-Psychological Factors Influencing the Adoption of Small Scale Industry Unit*", SIET Institute Hyderabad, 1974

³⁷ Sharma K.L., "Entrepreneurial Performance in Role Prospective" Abhivan Publications, New Delhi 1975

majority of the entrepreneurs belonging to two communities i.e. Banias, in Hindu and Ansaris in Muslims. The upper castes such as Brahmins and Rajput show a sense of hesitation plunging into carpet trade. (4) Carpet industry has made a big contribution to the economic growth of the town but it has failed to promote urbanization in the same measures.³⁸

The article titled, '*Financing for Entrepreneurship and SMEs- An Indian Perspective*' by Vepa Kamesam, the Deputy Governor of Reserve Bank of India deals with the challenges faced by the Indian Small Scale Industries in getting loans. The paper identifies certain major hurdles which include: availability of collateral free loan, cost of loans, delayed payments, industrial sickness and a host of other factors responsible for current financing problems. The paper highlights the initiatives taken by the RBI to improve the situation, and newer forms of financing such as venture capital have been suggested to be future measures.³⁹

The article titled '*Marketing Challenges for Small Business*' by Chattopadhyay ,Atish focuses on the types of marketing challenges faced by them and measures for overcoming the same. One important challenge has been identified to be lack of knowledge and skill besides funding. This can be overcome through proper training and skill improvement of the labour associated with such an industry.⁴⁰

The article titled, '*Problems of Small and Medium Industries and Effective Strategies for Global Competence- A Study of Some Tanneries in Chennai*' by Srikumar ,U Jayalakshmi highlights the competitive strategies for increasing global competence of the SME sector. The study is based on tanning

³⁸ Sheobhul Singh, *Entrepreneurship and Social Change*, Rawat Publications Jaipur 1985, pp 142-158

³⁹ Vepa kamesam , *Financing for Entrepreneurship and SMEs- An Indian Perspective, Small Scale Industries-Performance and Challenges*, The ICFAI University Press, 2007, pp 120-130

⁴⁰ Chattopadhyay ,Atish , *Marketing Challenges for Small Business, Small Scale Industries-Performance and Challenges*, The ICFAI University Press, 2007,131-148

firms of different sizes. It provides an input for improving government policies, which tend to increase the growth rate of tanneries in the years to come.⁴¹

The article titled, '*Growth trends and Performance of Small Scale Industries in India*' by Kawadia ,Ganesh, Dashnishra , Manasranjan and Bargal ,Hitendra, brings out the effect of the changed policy in the post-1991 scenario, which had changed the environment fully for the SSI as the market became more competitive for them. The paper brings out three important factors that are basically responsible for the situation the small scale industries currently face. The article gives a valuable insight into the step which needs to be taken in future for their satisfactory sustenance.⁴²

The article titled '*The Role and Performance of Small Scale Industries in Indian Economy*' by Bayineni, Srinivasulu highlights the role and performance of small scale industries in India, in terms of their impact on number of units, production, employment and exports. The article takes the reader through the process of economic development in which the Small Scale Industries had played a major role. The paper also focuses in the trend in growth of SSI compared to the industrial sector and has identified certain factors responsible for the current market problems being faced by the Small Scale Industries.⁴³

The article titled '*Role and Performance of the Small-Scale Industries in the Age of Globalisation*' by Lahiri, Keka emphasizes the performance of Small Scale Industries in India in terms of their contribution to employment

⁴¹ Srikumar ,U Jayalakshmi, Problems of Small and Medium Industries and Effective Strategies for Global Competence- A Study of Some Tanneries in Chennai, *Small Scale Industries-Performance and Challenges*, The ICFAI University Press, 2007, 180-193

⁴² Kawadia ,Ganesh, Dashnishra , Manasranjan and Bargal ,Hitendra, Growth trends and Performance of Small Scale Industries in India, *Small Scale Industries-Performance and Challenges*, The ICFAI University Press, 2007,18-32

⁴³ Bayineni, Srinivasulu, The Role and Performance of Small Scale Industries in Indian Economy, *Small Scale Industries-Performance and Challenges*, The ICFAI University Press, 2007,pp33-41

generation and export and the steps taken by the government to eradicate the problems faced by them.⁴⁴

The article titled, '*New Technologies and Indian Small and Medium Enterprises*' authored by Dr. Lal, Kaushalesh, focuses on the importance of technologies, particularly Information and Communication Technology in the small scale industries in India. Information and Communication technology has been found to play a major role in promoting entrepreneurship, improving performance and productivity in the small scale industry sector.⁴⁵

The article titled, '*SME Financing: The Indian Scenario*' by Anand , Chakravarthi, focuses on the financial help SME sector is receiving with the support of the World Bank, besides explaining the characteristics unique to Indian SMEs. A loan of \$120 mn recently approved by the World Bank to the SIDBI is aimed at improving SME access to finance and business development services, thereby fostering SME growth. Regenerating SME financing in India is essential as the sector serves as a Greenfield for nurturing entrepreneurial talent. The setting up of Small Industries Development Bank of India (SIDBI) in April 1990 as the principal financial institution for financing and developing SSIs was a major step initiated by the GOI towards promotion of the SMEs in India. Some of the instruments of financing that have been introduced to support SME sector include Credit Guarantee Fund Trust for small industries. Micro Credit Capital Funding, SME Fund etc. the article concludes that an increased focus by the Indian Banks and financial institutions on providing micro-finance, factoring assistance, etc, at reasonable cost would go a long way in making SMEs domestically as well as globally competitive, leading to economic growth.⁴⁶

⁴⁴ Lahiri, Keka, Role and Performance of the Small-Scale Industries in the Age of Globalisation, *Small Scale Industries-Performance and Challenges*, The ICFAI University Press, 2007, pp 42-52

⁴⁵ Dr. Lal, Kaushalesh, "New Technologies and Indian Small and Medium Enterprises", *Small Scale Industries-Performance and Challenges*, The ICFAI University Press, 2007 pp 77-106

⁴⁶ Anand , Chakravarthi, "SME Financing: The Indian Scenario", *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICFAI University Press, 2007, pp 3-13

The article titled, '*Policy Initiatives for Financing Small and Medium Enterprises*' authored by Murthy, Garimella G. K. focuses on the various policy initiatives for the development and financing of small and medium enterprises the world over. In this context, the article discusses the definitions of and approaches to SMEs in a cross section of countries in the world. The article also throw light on the various policy initiatives on the part of the Government, RBI and banks in extending financial support to the SME sector on liberalized terms and thus indirectly contributing to the robustness of the Indian economy. RBI has asked the banks to adopt the new definition of SME as contained the SME Bill-2005. The enactment of the SME Bill 2005 by the Government of India, besides providing a thrust for intensifying the financing of SME Sector by banks and Financial Institutions, has also spelt out other measures to empower the SME sector which is the progressive contributor to the economy. In a competitive environment, with better management attributes being displayed by the entrepreneurs, banks have started responding more positively to the financial needs of the SME sector, which is a redeeming feature.⁴⁷

The article titled, '*Role of Government Agencies in the Development and Financing of Small and Medium Enterprises*' by Shankar , P. Uday focuses on government agencies involved in the promotion, financing and development of SMEs and their functional areas, highlighted the role played by them. The Government of India has promoted a number of agencies for financing and development of SMEs, like SIDO, NIESBUD, IIE, NSIC, NISIET and state level organizations like DICs, IICs, SC, BC corporations, etc., each playing a distinct role. Apart from providing extension services, some agencies are involved in the identification of entrepreneur specific projects vis-à-vis business opportunities and prospects and also in the selection of beneficiaries

⁴⁷ Murthy, Garimella G. K., Policy Initiatives for Financing Small and Medium Enterprises, *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICFAI University Press, 2007, 14-34.

for finance by banks/financial institutions, for taking up various productive activities as well as support services like project implementation assistance; hand-holding; monitoring and guidance and follow up. Agencies like SIDCO and SIDBI offer many schemes for financing the entrepreneurs.⁴⁸

The article titled, '*Marketing Strategies of Banks to Foster Financing of SMEs in India*' by Anand ,Chakravarthi and Srikant, A, focuses on the marketing strategies of banks to promote financing of Small and Medium Enterprises (SMEs) in India. It explains in detail various marketing strategies including the communication options being adopted by major Indian ICICI and HDFC as well as foreign banks like CITI and HSBS. The article also highlights the promotion of SMEs business and finance through innovation, specialization and e-services besides other financing methods. The article conclude on the notes that development of right strategies for marketing, and measurement of performance are vital for the success of any organization engaged in the SME financing activities.⁴⁹

Wang, Seok-Dong in his article titled, '*The Development of E-Financing: Implications for SMEs*', focuses on the recent trends in the financial markets and the implications of development in financial services for SMEs, across the globe, particularly with regard to ICT and provides some useful policies recommendations. With the rapid globalization and emerging technologies, the potential contributions of SMEs has also increased. However, many of the problems traditionally facing SMEs have become more acute in a globalised environment. The spread of E-Financing ranging from the basic to fully integrated internet services, that has accompanied the growing integration of financial market, has also been highlighted in the article. While suggesting

⁴⁸ Shankar , P. Uday, Role of Government Agencies in the Development and Financing of Small and Medium Enterprises, *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICFAI University Press, 2007,pp 35-50

⁴⁹ Anand ,Chakravarthi and Srikant, Marketing Strategies of Banks to Foster Financing of SMEs in India), *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICFAI University Press, 2007,63-72.

that a supportive policy environment and better coordination can foster the adoption of internet technologies to promote SMEs and develop e-services, the article by stating that the advances in ICT and low cost of internet have made e-finance an ideal tool for SMEs across the globe, for seeking information and financing for growth.⁵⁰

The article titled, '*SMEs in India: Future Perfect*' by Sisodiya, Amit Singh, attempts to throw light on the tremendous challenges faced by SMEs to survive and sustain, as the process of globalization and liberalization gathers momentum across the globe. Small and Medium Enterprises (SMEs) have played an important role in the growth of domestic economy for long. Some of the major challenges faced by SMEs include lack of access to finance, low R&D investment, lack of access to technology, lack of product innovation, increasing SMEs due to problems attendant on them. Nowadays, though bankers are willing to extend loans to SMEs, SMEs too, on their part, are gearing up to meet the challenges arising out of the changing business environment. The article concludes on the note that the above efforts have proved to be extremely promising for the SME sector, which aims to make it big in the realm of domestic as well as international business arena. to survive and sustain, as the globe, Small Some other credit related development in years are preparing of exclusively credit plan for 60 clusters by the banks. These plans merged with Annual Credit plan of State.⁵¹

The '*Securitisation as a Means to Enhance SME Financing and the EIF's Role as a Guarantor*' by Alessandro Tappi and Per-Erik Eriksson, provides an in-depth view of SME securitisation, in the context of application of securitisation in the area of SME financing and the advantages of securitisation to SMEs. Securitisation of SME loans is the

⁵⁰ Wang, Seok-Dong, The Development of E-Financing: Implications for SMEs, *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICAFI University Press, 2007pp73-83

⁵¹ Sisodiya, Amit Singh, *SMEs in India: Future Perfect*, *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICAFI University Press, 2007,pp 91-100

most efficient means of enhancing their access to debt finance, as banks achieve capital relief and free up capacity for new loans to SMEs by transferring their credit risk to the capital markets in an effective manner. The successful SME loans securitisation programme launched in 1985 by the Small Business Administration in the US, can be regarded as a forerunner to European SME Securitisation. The potential for securitisation transactions of SME financing in the European countries by new originators is huge and, as securitised loans are standardised and liquid, they are easily marketable to a variety of investors. The article also explains the role of European Investment Fund in securitisation transactions for supporting enhanced debt finance to SMEs, by facilitating the SME risk transfer from the originating banks to the capital market.⁵²

The article titled, '*SME (Small and Medium Enterprises) Financing in Southeast Asian Nations*' by Murthy, Garimella G K. and Raghunandan , Usha N. Financing of Small and Medium Enterprises pose perennial challenges in ASEAN (Association of South East Asian Nations) for want of financial measures, both in terms of number and quality. Having realized the contribution of SMEs to the economy, the Governments in these nations have, of late, put in place several initiatives to promote the SME financing. Within ASEAN there is a wide gap in the major sources of financing between the ASEAN-6 and ASEAN-4 countries. In ASEAN-6 Nations SMEs mostly rely on formal channels of finances such as banks, financial institutions and non-banking finance companies, whereas in ASEAN-4 countries, the reliance is on non-formal channels. This article presents an overview of various challenges for SMEs, pattern of government assistance as also sources of

⁵² Alessandro Tappi and Per-Erik Eriksson, Securitisation as a Means to Enhance SME Financing and the EIF's Role as a Guarantor, *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICFAI University Press, 2007, 114-129

finances available in ASEAN. The role of development financial institutions as well as the capital markets in these two categories of nations to support SMEs, has also been discussed in the article.⁵³

The article titled, which is a summary of the research paper titled '*Potential Competitive Effects of Basel II on Banks in SME Credit Markets in the United States*', examines the likely competitive effects of the proposed implementation of the Basel II capital requirements on banks in the market for credit to SMEs in the United States. Under Basel II proposal, the required capital for an SME loan would depend on a number of factors, including the Probability of Default (PD) and Loss Given Default (LGD) assigned by the bank, whether the loan is classified as retail or corporate, and the size of the borrowing firm. It addresses in detail, issues like how reduced risk weights for SME credits extended by large banking organizations, that adopt the Advanced Internal Ratings-Based (A-IRB) approach of Basel II, could significantly affect the competitive position of organizations that do not adopt A-IRB. The analysis also suggests, that there will be only a relatively minor competitive effect on the majority of community banks, primarily because the organizations; that are likely to adopt A-IRB tend to make different types of SME loans to different types of borrowers than community banks. The possibilities of significant adverse effects on the competitive positions of large banking organizations that do not adopt A-IRB have also been discussed in the article.⁵⁴

⁵³ Murthy, Garimella G K. and Raghunandan, Usha N, SME (Small and Medium Enterprises) Financing in Southeast Asian Nations, *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICFAI University Press, 2007, pp179-188

⁵⁴ Potential Competitive Effects of Basel II on Banks in SME Credit Markets in the United States, *Financing of Small And Medium Enterprises (SMEs)- Indian and Global Scenario*, The ICFAI University Press, 2007, pp204-210

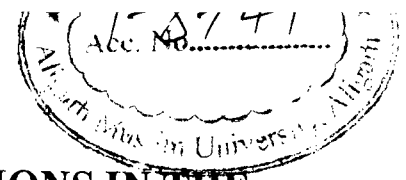
Conclusion:

A brief account of problems face by SSIs and SMEs, role of different development banks in financing and promoting their activities, initiatives for entrepreneurship development in different states of India and instances from abroad, as studied by different scholars etc., are elucidated in the present chapter by way of review of literature. The next chapter provides an insight in the role of financial institutions in the development of entrepreneurship and micro, small and medium enterprises (MSMEs).

Chapter- 3

ROLE OF FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF ENTREPRENEURSHIP AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

- ❖ Introduction
- ❖ Industrial Financial Corporation of India (IFCI)
- ❖ Functions of Industrial Finance Corporation of India (IFCI)
- ❖ National Industrial Corporation (NIDC)
- ❖ Industrial Development Bank of India (IDBI)
- ❖ Small Industries Development Bank of India (SIDBI)
- ❖ State Financial Corporations (SFCs)
- ❖ State Industrial Development Corporation (SIDCs)
- ❖ State State Small Industrial Development Corporations (SSIDCs)
- ❖ Small Industries Development Organization (SIDO)
- ❖ National Small Industries Corporation (NSIC)
- ❖ District Industries Centre (DICs)
- ❖ Uttar Pradesh Small Industries Corporation (UPSIC)
- ❖ Entrepreneurship Development Institute (EDI)
- ❖ Small Industry Extension Training Institute (SIET)
- ❖ Small Industries Service Institute (S.E.S.I)
- ❖ National Productivity Council (N.P.C.)
- ❖ Industrial Credit Investment Corporation of India
- ❖ State Level Organisations
- ❖ Conclusion



ROLE OF FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF ENTREPRENEURSHIP AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

Introduction:

Generally, a 'Financial institution' is established mainly to provide long-term capital for Industries & agriculture. These financial Institutions play an important role in the development of SSIs and entrepreneurship.

They have mostly been set up statutorily by the government but some private sector participation in the ownership and functioning of some of them may also exist. Usually recognized as specialized institution, they are also recognized as "Development Bank" or Term Lending Institution or "Special Development Financial Institution."

In this context Government of India (GOI) started a series of financial institution since independence to provide term finance to the industry such as IFCI, SFCs, ICICI, IDBI, Unit Trust of India (UTI), National Industrial Development Corporation (NIDC) and National Small Industries Corporation (NSIC) etc. which are discussed as under:

Industrial Financial Corporation of India (IFCI):

To meet the longterm finance needs of entrepreneurs several commission and committees such as "Industrial Commission (1916-18), the External Capital Committee (925) and the Indian Central Banking Enquiry Committee (1929-31) had stressed the need for setting up of such institutions, but no action was taken by the Government. But the greater need to finance the over-worked units during the Second World War period forced the Government to set up Industrial Finance Corporation of India, which came into existence on the 1st July 1948. The Corporation came into existence with an aim to provide medium and long term credit to large scale

industries, organized as public limited companies or cooperative societies in India, engaged or proposing to engage in manufacturing, preservation or pricing of goods, mining, generation and distribution of electric power or any other source of power, shipping and hotel industries in India particularly in circumstance when normal banking accommodation is inappropriate or resource to capital issue method is impracticable.

IFCI is the first term-financial Institution which was set up in July 1948 by the Government of India under the IFCI Act 1948 with objective of providing medium and long-term loans to largest small Industrial concerns in the private sector.¹ However, joint and public sector also have been made eligible for its assistance. It provide direct rupee and foreign currency loans for new industrial projects and for expansion, diversification, renovation and modernization of existing units. It also underwriter and directly subscribe to industrial security, provided financial guarantees merchant banking services and leave finance.

Main resources of the IFCI are ;

- (a) Loan from RBI,
- (b) Share capital,
- (c) Repayment of loans,
- (d) Retained earning,
- (e) Loan from Government,
- (f) Lines of credit from foreign lending agencies; and
- (g) Commercial borrowings in international capital market.

It has introduced a number of financial promotional schemes on its own. The letter includes eight consultancy fee subsidy schemes, and two entrepreneurship development schemes. It has formed IFCI Financial Limited.

¹ Shashi K. Gupta, Nisha Aggarwal & Neeti Gupta, *Financial Institutions and Markets*, Kalyani Publishers, New Delhi, 2005, pp 12.4-12.14

The constitution of IFCI was changed in 1993 from a statutory corporation to a company under the Companies Act to encash greater flexibility. In future the IFCI Ltd. would lay emphasis to cater the needs of small & medium enterprises and serve as a mid-corporate specialist. As an end-March 2003, the principal holders of the total paid-up capital of IFCI Ltd. along with share were IDBI (18.96%) Nationalized Banks (19.89%) SBI (9.69%) LIC (5.02%) GIG site subsidiaries (5.97%) and so on.

Functions of Industrial Finance Corporation of India (IFCI):

The Corporation performs the following functions: (1) Underwriting the shares, bonds or debentures of industrial enterprises; provided such stocks, shares or debentures are disposed of by the Corporation within a period of seven years from the date of acquisition, (2) granting loans or subscribing to the debentures of industrial undertakings repayable within a period not exceeding 25 years, (3) guaranteeing loans traded in the public market by the industrial concerns, repayable within 25 years or raised from scheduled banks or State co-operative banks, (4) subscribing directly to the stock or shares of any industrial concerns, (5) guaranteeing deferred payments in respect of import of capital goods' by industrial concerns who are able to make such arrangements with foreign manufacturers or in connection with the purchase of capital goods manufacturing in India, (6) guaranteeing loans raised from any banks or financial institutions in and country outside India, (7) acting as the agent of the Central Government and IDBI in respect of loans sanctioned by them to industrial concerns, (8) undertaking Merchant Banking Operations, (9) providing technical and administrative assistance to any industrial concern for the promotion, management by expansion of any industry, and (10) undertaking research and surveys for evaluating or dealing with marketing or investments and

undertaking and carrying out techno-economic studies in connection with the development of industry.²

Table 3.1 Showing Financial Assistance Sanctioned and Disbursed by IFCI

Year	Sanctions	Disbursements
1990-91	2429.8	1574.3
1991-92	2421.2	1604.4
1992-93	2347.9	1733.4
1993-94	3745.9	2163.1
1994-95	5719.5	2838.7
1995-96	10300.3	4563.3
1996-97	7212.3	5157.1
1997-98	7693.2	5650.4
1998-99	4445.2	4819.3
1999-00	2080.0	3272.1
2000-01	1766.5	2156.8
2001-02	777.6	1074.4
2002-03	1960.0	1779.9
2004-05	00	91.3
2005-06	0.0	187.0
2006-07 P	1050.0	550.0
2007-08 P	2550.5	2280.1

Source: RBI

Table 3.1 shows that in 1990-91 the total amount sanctioned by IFCI was Rs. 242.8 crores which rose to 2550.5 crores in 2007-08 and financial disbursed during 1990-91 was Rs. 1574.3 crores which went upto Rs. 2280.1 crores in 2007-08

National Industrial Corporation (NIDC):

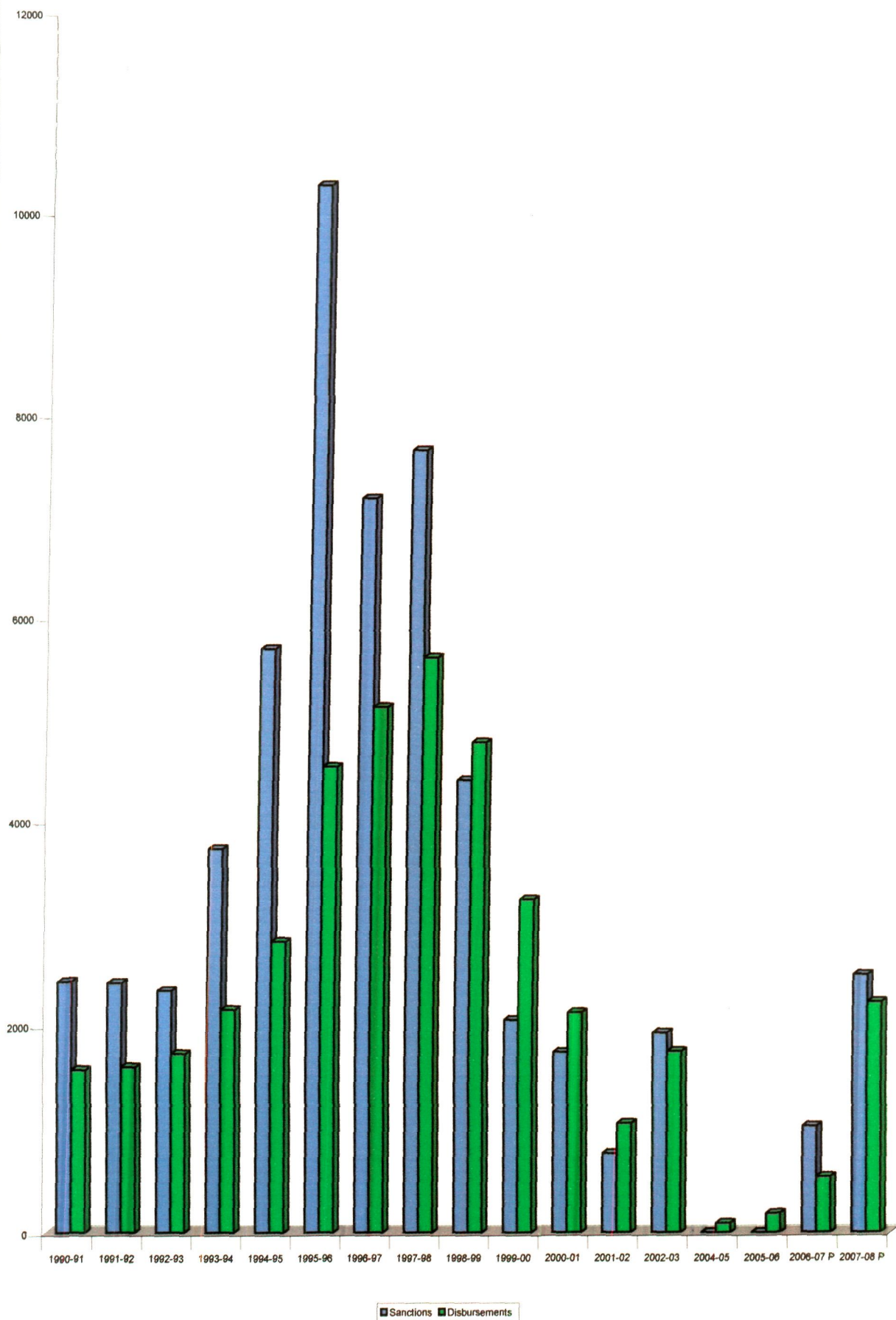
The NIDC was set up in October 1954 as statutory Corporation owned by Government of India.

Functions of NIDC:

- (i) To formulate and execute projects for setting up new industries,

² Khairoowala, Ziauddin, *Role of Financial Bodies in Capital Market Industry and Economics*, Feb., 1982, pp 35-36

Graph 3.1 showing Financial Assistance sanctioned and disbursed by IFCI (Source: Table 3.1)



- (ii) To provide consultancy services
- (iii) To finance the rehabilitation and modernization of certain Industries, such as cotton & Jute textiles and machine tools. It is a financial PSU, a wing of Ministry of Commerce & Industry, Government of India.

Industrial Development Bank of India (IDBI):

For coordinating the activities of the existing financial institutions, it became necessary to set up a new financial institution. Hence, a decision was taken by the Government of India in pursuance of the above object, to set up a new institution to be called Industrial Development Bank of India. The Government of India introduced the IDBI Bill in Parliament in February 1964 initiating discussion on the Bill, the then Finance Minister emphasized the need for an institution like Development Bank to arrange medium and long-term loans for industries.

The IDBI was set up as wholly - owned subsidiary of the RBI on July 1, 1964, under an act of Parliament. In February 1976, the IDBI was declined from the RBI and since then, it has become apex institution in the field of industrial finance. The Bank was taken over by the Government of India in 1976.³

The main object of setting up this institution have been to bridge the gap between demand and supply of finance by providing direct financial assistance to industrial concerns wherever necessary and to bring into existence an apex body to coordinate activities of various financial institutions providing term finance to industries. Therefore, IDBI has been created not only as a financial agency but also for the purpose of integrating activities of all the financial institutions providing short, medium and long-term benefits for the industry.

³ A.V. Ranganadha Chary & R.R. Paul, *Banking and Financial Syatems*, Kalyani Publishers, 2008, pp 155-158.

Functions of IDBI:

The main function of the Industrial Development Bank of India, as its name itself suggest is to finance Industrial enterprises in both private and public sector. Financial assistance is provided either directly or through special financial institutions.

(a) Direct Assistance: IDBI assists Industrial unit directly by way project loan, underwriting of and direct subscription to industries securities (Share & Debentures) soft loans, technical development fund loans and equipment finance loan.

IDBI provides direct assistance for project costing more than Rs. 3 Crore under the Project finance scheme.

(b) Indirect Finance: IDBI Indirect assistance is provided basically to tiny, small and medium enterprises mainly.

- (i) By way of refinance of Industrial loan granted by SFCs, SIDCs, and commercial banks, co-operative banks an RRB.
- (ii) Rediscounting of bills arising out of safe of Indigenes machinery a deferred payment basis.
- (iii) Seed Capital assistance to new enterprise never generally through SFCs & SIDCs.

(c) Special Assistance: IDBI Act 1964, provide Development Assistance fund. This fund to be used by the IDBI to assist those Industrial concerns which are not able to secure funds in the normal course either because of heavy investment or low rate of return both.

(d) Direct Assistance to Industries: The IDBI has been empowered to finance industrial concerns directly under the following structural arrangements: (i) To grant financial accommodation up to a 16 year period for export of capital goods and other commodities, (ii) To grant loans or to subscribe to the shares and debentures of industrial concerns. Such loans, advances, and debentures can be convened into equity shares at the option of the Bank, (iii) To underwrite new issues of Industrial

concerns and accept, discount or rediscount bonafide commercial bills or promissory notes of industrial concerns, (iv) To guarantee deferred payment due from industrial concerns for loan raised by them in the market or from scheduled banks etc.

(e) Assistance to other financial institutions: IDBI has carried out the following refinancing functions: IDBI can refinance term advances of 3 to 25 years maturity made to industrial concerns by IFCI, SFCs and other financial institutions which may be notified by the Government. It can similarly refinance term loans of 3 to 10 years maturity made by scheduled banks and State Co-operative Banks. It can also refinance export credit of 15 years' maturity where primary lending institutions grant loans to person in India and to parsons outside India repayable within a period of 12 years.

(f) Creation of Development of Assistance funds: The Bank created a development assistance fund in 1965 with an initial contribution from Central Government. This fund is intended to provide assistance for industries which for various reasons like, heavy investment involved or low anticipated return on capital, may not be able to obtain funds in the normal course. The prior approval of the Central Government is necessary for any assistance from the Fund.

(g) Soft loan scheme: The soft loan scheme came into existence in November 1976 for financing the modernisation programme of five selected industries, namely, cotton, textiles, jute, cement, sugar and specified engineering industries. The scheme aims at modernisation, replacement and renovation of industry which has become necessary to achieve a more economic level of production in order to enhance their competitiveness in domestic and international markets.

(h) Technical Development Fund Scheme: Technical Development Fund Scheme was introduced in March 1979 with the object of promoting fuller capacity utilization, technologies upgradation, and export development. The

fund can provide foreign exchange for small value imports with the object of procuring technical know- how, foreign consultancy service, drawings and designs.

(i) Automatic Refinancing Scheme: The main features of Automatic refinancing scheme are as follows: (a) Sanction and disbursement of refinance in respect of loans upto Rs. 5 lakhs from the eligible institutions to small scale industries including those in the tiny sector which are normally covered under the IDBI Credit Guarantee Scheme, (b) The IDBI will not levy commitment charges on credit institutions in respect of refinances under the ARS (c) Only one general agreement will be taken from the eligible institution covering drawals of refinance under different schemes of the IDBI.

(j) Rediscounting: IDBI has introduced a scheme for rediscounting of bills against the sale of machinery to enable the indigenous machine manufacturing industry to purchase equipment on deferred payment basis.

Table 3.2 Showing Financial Assistance Sanctioned and Disbursed by IDBI

Year	Sanctions	Disbursements
1990-91	6278.3	4501.1
1991-92	6590.2	5768.8
1992-93	9249.4	6710.7
1993-94	12086.0	8095.9
1994-95	18199.4	10671.8
1995-96	16476.4	10695.2
1996-97	15634.0	11467.7
1997-98	23982.0	15170.0
1998-99	23744.7	14470.1
1999-00	26966.5	17059.4
2000-01	26832.6	17476.9
2001-02	15867.9	11012.5
2002-03	5898.2	6614.9
2003-04	3937.7	4986.4
2004-05	10799.0	\$ \$ 6183.3

Source: RBI

Graph 3.2 showing financial assistance sanctioned and disbursed by IDBI
(Source: Table 3.2)

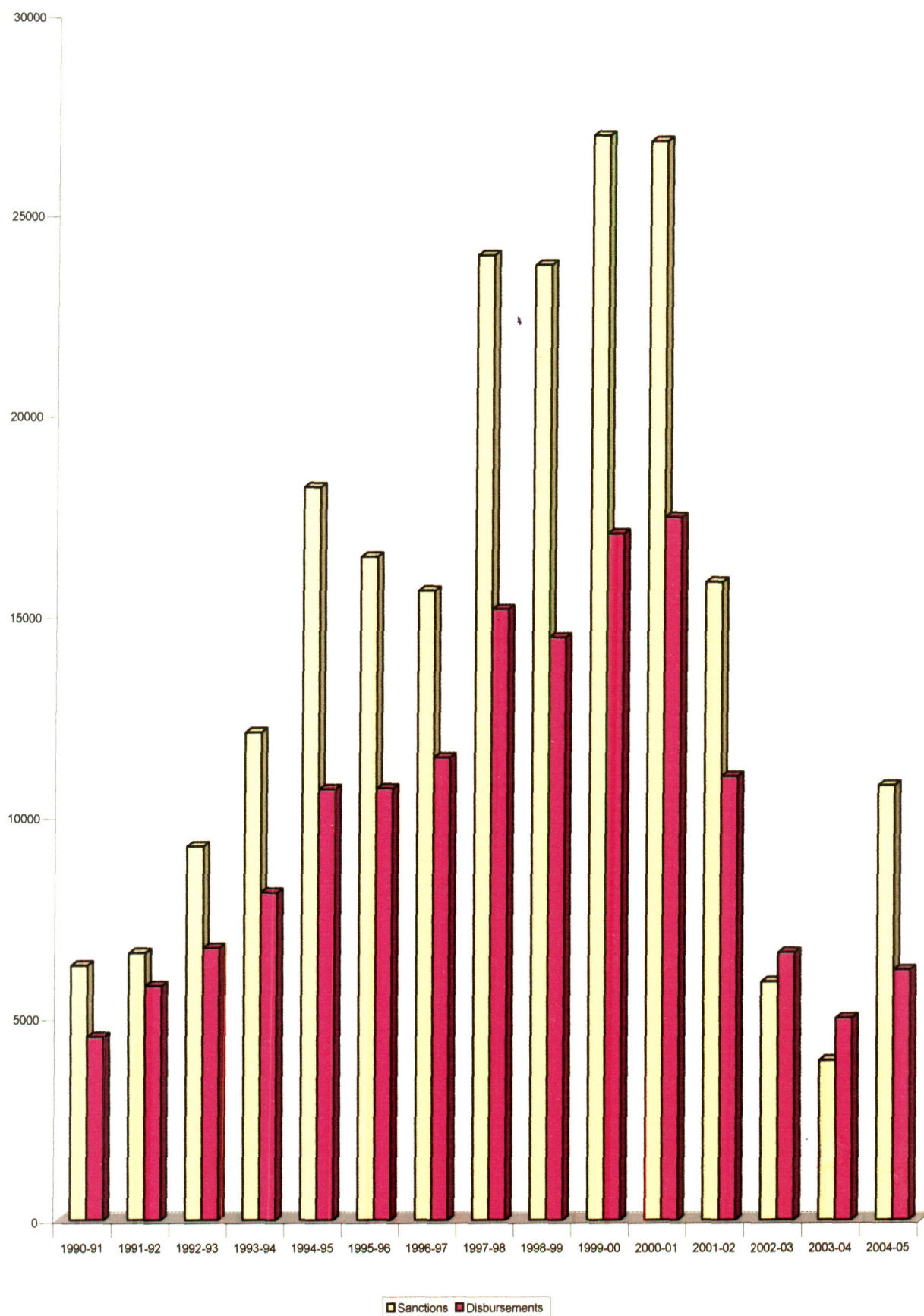


Table 3.2 shows that in 1990-91 the IDBI sanctioned Rs. 6278.3 crores which rose to Rs. 10799.0 crores in 2004-05 and financial disbursements during 1990-91 was Rs. 121.2 crores which went upto Rs. 6183.3 crores in 2004-05. There has been a significant increase in total financial assistance sanctioned and disbursed by IDBI.

Small Industries Development Bank of India (SIDBI):

The SIDBI was set up in October 1989 under the act of Parliament as a wholly-owned subsidiary of IDBI. It is the principal financial institution for promotion, financing and development of Industries in the small scale sector. SIDBI also coordinate the activities of agencies which provide finance to small enterprises. In pursuance of the SIDBI (Amendment) Act 2000, 51.1 percent of the share of SIDBI held by IDBI have been transferred to select public sector banks, LIC, GIC, and other Institutions owned and controlled by the Control Government.

The main objectives of SIDBI are to serve as the principal financial institution for promotion, financing and development of Industry in the small scale sector and coordinating the functions of other institutions engaged in similar activities. The Bank, right from its inception has strived to make effective use of the existing network of institutions serving the small scale sector. Further the bank has collaborated with various national and international development organisations to synergise the efforts in serving the small scale sector. The network of SIDBI consists of 5 regional offices (Appendix III) and 73 branches with its head office at Lucknow. It extends reliance assistance through 888 primary lending institutions such as commerical banks, SFCs which in turn have over 60,000 branches throughout India.

SIDBI was ranked 21st in terms of assets, 34th in terms of capital among the 50 development banks of the world by '*The Banker*', London in its May 1997 issue. The schemes of assistance of SIDBI for the small scale sector is through three routes.

Indirect assistance, namely, refinance and bills rediscounting is channelised by SIDBI through a network of 888 primary lending institutions including banks and state financial corporations which have over 65,000 outlets. While direct assistance is through its own network of 38 offices (5 regional and 73 branch offices) in India.

Development and support services of SIDBI are focussed at enterprise promotion with emphasis on rural industrialization, HRD of small scale industry sector, technology upgradation, special emphasis programmes like quality and environment management and information dissemination.

The programmes for enterprise promotion include microcredit schemes, rural industries programmes, Mahila Vikas Nidhi and entrepreneur development programmes. Programmes for HRD of SSIs are Small Industries Management Assistance Programme (SIMPA) and Skill-cum Technology Upgradation Programmes (STUP). Quality and environment and management programmes and workshops on quality management technology and assistance to create awareness among the SSIs for abatement of environmental pollution and information dissemination aims at promoting new units by identification and publicity of viable project ideas and business opportunities through publication of project profiles, broadcasting, Udyog Sadhana-radio programmes and production of video films on various entrepreneurship themes and telecasting them through electronic media. SIDBI also coordinates its efforts with the non government organisations (NGOs), marketing and training institutions, research organisations, etc., for effective reach.

It operates two funds. Small Industries Development Fund and Small Industries Development Assistance Fund. The operation of the former and national Equity Fund which were earlier looked after by the IDBI are now handled by the SIDBI. The financial assistance is channelled through the existing credit delivery system consisting NSIC, SFCs, SIDCs, SSIDCs, commercial bank, Cooperative banks and RRBs. The total number of

Institution eligible for assistance from SIDBI is 869. It discounts and reads counts bill assisting from the sale of machinery to small units extends seed/capital /soft loan assistance through National Equity Funds through seed capital scheme of specialized lending Institution, refinances loans and provides services like factoring, leasing & loan.⁴

Functions of Small Industries Development Bank of India (SIDBI):

The major function undertaken by SIDBI are as following-

- (i) Refinancing of term loans granted by banks & other eligible financial institution namely SFCs and SIDCs.
- (ii) Direct discounting as well as rediscounting of bills arising out of sale of machinery or capital equipment by manufacturing in small Scale Sectors on deferred credit.
- (iii) Equity type assistance under National Equity Funds by way of seed capital to entrepreneurs.
- (iv) Rediscounting of short term bills arising out of sales of products of Small Scale Sector.
- (v) Resources Support to National Small Industries Corporation & institution concerned with small industries.
- (vi) Share capital & recourses support with small Industries.

State Financial Corporations (SFCs):

The State Financial Corporation (SFCs) are state level financial institutions playing an important role in the development of small & medium enterprises in their respective state in tandem with national priorities. There are 18 SFCs at present. Seventeen (17) of them have been set up under State Financial Corporation Act 1951, by the respective state govt. as region of institution. The Tamil Nadu Industries Investment Corporation Ltd. set up in 1949 under companies Act as Madras Industrial Investment

⁴ A.V. Ranganadha Chary & R.R. Paul, *Banking and Financial Syatems*, Kalyani Publishers, 2008, pp 160-161.

Corporation also function as SFC. They play an effective role in the development of small and medium enterprises and bringing about regionally balanced economic growth.

Assistance Provide by SFCs:

SFCs aim at wider dispersion of small scale industries within each state they meet term credit needs of such units. SFCs provide assistance to small scale industries by way of soft loans, direct subscription to equity share /debenture guarantees, discounting of bills of exchange and seed capital /special capital. Their main objectives are to finance and promote these industries in the state for achieving the balanced growth. The activities of SFCs were under the overall control and supervision of the IDBI and RBI till about 1990 after which the SIDBI and RBI have been performing the overseeing function.

SFCs operate a number of schemes of refinance and equity type assistance on behalf of IDBI/SIDBI. Beside, they also have special scheme for artisans and special target groups such as SC/ ST women, ex-servicemen, physically handicapped etc. Over the year, they have diversified their activities and increased the scope and coverage of their assistance.

The annual growth rates of their sanctions and disbursements have been quite high (13 to 45 percent) most of the year.

Under the single window scheme of SIDBI, SFCs have also extending the working capital along with term loan to mitigate the difficulties faced by SSIs in obtaining the working capital limits on time.

State Industrial Development Corporation (SIDCs):

State Industrial Development Corporations were established under the Companies Act as wholly-owned undertaking of the state government. The SDCs acts as catalysts for Industrial development and provide impetus to

investment in their respective states the first SIDC was established in Bihar in 1960.⁵

Besides SFCs there are 28 State Industrial Development Corporations (SIDCs) which promote states and also provide financial assistance to small scale units. Now there are 28 SIDCs in the country, these are in Andaman and Nicobar, Arunachal Pradesh, Goa, Mainpur, Meghalya, Mizorum, Nagaland, Tripura, Pondicherry and Sikkim function as SFCs.

The main objectives of SIDCs are as follows.

- 1). To develop Industrial Areas.
- 2). To ensure Market Facilities.
- 3). To establish New Development Centres.

State Industrial Development/ Investment Corporations (SIDCs/SIICs):

The State Industrial Development Corporations are in the forefront of the industrialization in the state. SIDCs/SIICs were established under the Companies Act 1956 as wholly owned undertaking of the state government. They act as a catalyst for industrial development in their respective States.

SIDCs provide land, infrastructure facilities like factory sheds, developed plots, roads, power, water supply, drainage and other amenities.

SIDCs were set up mainly to cater to the financial requirements of medium and large-scale industries. But they also provide assistance to small-scale sector by way of term loan, subscription to equity and promotional services.

State Small Industrial Development Corporations (SSIDCs):

State Small Industrial Development Corporations (SSIDCs) were set up under the Companies Act 1956 as State Government undertakings. They are mainly concerned with the needs of small, tiny and village industries in the State/Union Territories. SSIDCs are operationally flexible and can undertake a variety of activities for the overall development of the SSIs

⁵ Shashi K. Gupta, Nisha Aggarwal & Neeti Gupta, *Financial Institutions and Markets*, Kalyani Publishers, New delhi, 2005, pp 13.6-13.8

sector. They provide assistance to small-scale sector and act as promotional agencies. The activities of SSIDCs are both assistance-oriented and promotional in nature.

Other notable State level agencies that extend facilities for SSI promotion include:

- State Infrastructure Development Corporation.
- State Export Corporation.
- State Cooperative Banks.
- Regional Rural Banks.
- Agro Industries Corporations.
- Handloom and Handicraft Corporations.

Small Industries Development Organization (SIDO):

SIDO was established in 1954 on the recommendations of the Ford Foundation team of Government of India for the development of SSIs. It is headed by the Development Commissioner (SSI) who is an ex-officio Additional Secretary to the Government of India. That is the reason, the office of the Development Commissioner (SSI) is generally known as SIDO.⁶

It is the nodal organization, which implements Central government policies. It operates through a network of 30 small industries services institutes (SISIs), 28 branches of SISIs setup in states capital.

Pioneering the institutional infrastructure for the development of small scale industries at the central level is Small Industries Development Organisation at New Delhi with a large number of field outfits and subordinate formations providing a wide ranging techno-economic consultancy services and support. SIDO is headed by the Development Commissioners, Small Scale Industries and is an attached office of the Department of Small Scale Industry, Agro and Rural Industries, Ministry of

⁶ SIDO, Various Annual Reports.

Industry, Government of India. It is an apex body and a nodal agency for formulating, coordinating and monitoring policies and programmes for promotion and development of small scale industries. SIDO renders comprehensive services including consultancy in techno-economic and managerial aspects, training common facility services, testing and tooling facilities, marketing assistance, etc., for small scale units. These services are provided through a network of field agencies and institutions created for the purpose. Important among them are Small Industries Service Institutes and Branch Small Industry Service Institutes, Regional Testing Centres and Field Testing Stations, Tool Rooms and Tool Design Institutes and Process-cum Product Development Centres.

SISIs are 28 in number and branch SISIs 30—which are set up in state capitals and other places all over the country. The important functions of these institutes constitute conducting EDPs and promotional programmes, providing technical support and consultancy services to entrepreneurs and conducting state industrial and district industrial potential surveys. There are four regional testing centres and ten field testing stations providing testing and consultancy facilities and conducting training programmes. The tool rooms and tool design institutes assist in tool design, manufacture of tools, jigs, fixtures, etc., provide training facilities to tool makers and offers consultancy.

The product-cum-process development centres serve as Research and Development (R&D) Institutions in areas of dense industry clusters. They aid in product design and innovation, product and process improvement and development of improved packaging technology, manpower development and training, etc. Apart from the above field agencies, there are other associated specialised institutions like National Small Industries Corporation (NSIC), New Delhi providing machinery for small scale industries on hire purchase basis, marketing support, technology assistance, equipment leasing, etc. National Institute for Entrepreneurship and Small Business Development, New Delhi and National Institute of Small

Industry Extension Training, Hyderabad for entrepreneurship development and training and SIDBI for financing SSI projects. Coordination between central and state/union territory governments is effected by SSIs Board which is an apex advisory body constituted to render advice to the government on all issues pertaining to small scale sector.

In addition there are a large number of organisations and institutions in States/Union Territories to provide various specialised inputs and services like the DICs, Small Industry Development Corporations, State Small Scale Industries Development Corporations, Commissioners and Directorates of industries, etc. Apart from organising entrepreneurial development and training programmes and offering technical and testing assistance, SIDO also organises awareness and motivational programmes to educate and train the small scale industries in the matter of pollution abatement and energy conservation programmes keeping in view the high cost of energy and high levels of energy consumption in some of the specific industrial sectors, namely, foundry, forging, re-rolling, glass/ceramic/porcelain industries, plywood industries, etc. In addition Awareness and Educational programmes on total quality management and ISO-9000 are organised and SSIs are given financial support by way of reimbursement of 75 per cent of their expenses for obtaining ISO-9000 certification subject to a maximum of Rs. 75,000.

The main function of SIDO is as follows:

- It is evolving an all India policy and programme for the development of SSIs.
- Maintaining liaison with different state and central Ministries, Planning Commission, RBI and financial institution.
- Coordinating the various programmes and policies of State Government.
- Dissemination of economic information.
- Assisting SSI units in technological upgradation by providing quality tool facility.

- Increasing efficiency of SSI units by providing consultancy and common service facilities in the areas of design and production of tools
- Monitoring the Prime Minister Rojgar Yojna (PMRY)
- Helps in preparation of project file.
- Helps in skill development
- Helps in entrepreneurship development and management training.

Small Industries Services Institutes (SISIs):

The SISIs were set up in state capitals and other industrial cities in the country. There are all together 28 SISIs and 30 branch SISIs in India. Their performances are overseen by the office of the DC (SSI).

The main functions of SISIs include:

- Technological development services and consultancy services
- Interface between Central and State Government.
- Entrepreneurship Development programme.
- Promotional programmes.
- Ancillary development.
- Promotion of export.

Small Scale Industries Board (SSIB):

SSIB was set up in 1954. This board facilitates the coordination and inter-institutional linkage for the development of SSI sector. Union Minister of Industries (India) is the Chairman of SSIB. It also includes State Industry Ministers, selected members of Parliament, Secretaries of various departments of Central Government, Financial Institutions, Public Sector Undertakings (PSUs), Industry Association and eminent experts in SSI sectors as the member.

Product-cum-Process Development Centre (PPDCs):

PPDCs have been set up to look into specific problems of an industry, develop new technologies, render technical support services, and manpower

development. PPDCs have been set up at 6 places to provide services to SSIs these are at Meerut (sports goods), Ramnagar (electronic), Agra (foundry), Mumbai (electrical instrumentation), Firozabad (glass industry) and Kannauj (essential oil).

National Small Industries Corporation (NSIC):

The Government of India established NSIC in 1955, its aim is to promote, aid and foster the growth of SSIs in the country. It helps the SSIs through its various programmes and project. NSIC plays a very important role through modernization, technological upgradation, quality consciousness, strengthening linkages with large and medium enterprises and boosting exports of products from small enterprises.

Formerly the corporation had four subsidiary corporations at Delhi, Mumbai, Calcutta and Madras. However, since 1961 all the subsidiary corporations have been amalgamated with the main corporation and three branch offices have been set up at Mumbai, Calcutta and Chennai. The Delhi subsidiary corporation has been merged with the parent corporation and its work is looked after by a separate Delhi Cell set up in it.

The National Small Industries Corporation Ltd. (NSIC) was established by the Government of India in Feb. 1955. The main objectives of NSIC are to aid, counsel, assist, finance, protect and promote small scale industries in the country.

The Corporation provides support to small scale sector in the following areas:

1. Supply of both indigenous and imported machines on easy Hire-purchase items. Special concessional terms have been introduced for units in backward areas and also for units promoted by entrepreneurs from weaker sections of society.
2. Marketing of small industries products, based on consortia approach.
3. Export of products from small industries and developing export worthiness of small scale units.

4. Enlisting the competent units and facilitating their participation in Government stores Purchase Programmes.
5. Developing prototypes of machines, equipment and tools which are then passed on for commercial production.
6. Training in several industrial trades.
7. Development and upgradation of technology for projects based on wastes.
8. Supply and distribution of indigenous and imported raw material.
9. Setting up small scale industries in other developing countries on turnkey basis.

Training Centres of NSIC:

The National Small Industries Corporation (NSIC) is presently running four Prototype Development and Training Centres in Okhla (New Delhi), Rajkot, Howrah and Madras. The objectives of these centres are as:

(a) To impart practical and class room training in several industrial trades. Special training programmes have been introduced for rural artisan (b) To develop prototypes of machines, equipment and tools. These prototypes are then passed on to manufacturing units for commercial production, (c) To provide common facilities in such areas as testing machining castings, electroplating etc. (d) To take up production of machines and equipment partly or fully as per market acceptability, (e) To install testing and inspection facilities for use by small scale units, (f) To develop technology and equipment in such critical areas as waste utilisation, energy-saving etc., and, (g) To design, develop and produce improved tools for use by rural artisans for increasing their productivity and earning capacity.

NSIC's Common facilities and Training Centres:

NSIC has now taken up a programme to make the services of its PDFCs available in industrially backward areas. A Common Facilities and Training Centre (CFTC), a Sub-centre of Prototype Development and Training Centre, Okhla has been set up in Kashipur in Udham Singh Nagar

district of Uttarakhand, this CFTC is located in a central place and as such, its services are available to other towns such as Moradabad, Dhampur, Bijnore, Ramnagar, Haldwani, Rudrapur, etc. The Centre has the following objectives:

(a) To provide technical training in metal-working trades with provision for introducing wood-working trades at a later stage; (b) to take up courses for upgradation of skills; (c) to provide common facilities in precision machining sheet metal work, welding, forging etc; (d) to take up development of improved tools and equipment for raising productivity and product quality; and (e) to take up programmes for upgradation of technology and methods of production for the benefit of artisans in rural and hilly areas. *Training Programmes of CFTC* : The training programmes at the Centre are as under:

(i) One year general course in machining, burning, fitting, forging and welding, (ii) Four-month courses in turning, machining and welding (iii) Four-month upgradation courses.

The main State Government agencies are as follows:

District Industries Centre (DICs):

In May 1978 DIC was initiated for the promotion of small scale and cottage industries beyond big cities and state capitals to the district headquarters. It was started as a centrally sponsored scheme with the aim of developing small, tiny and cottage industries in the country.

The District Industries Centres (DIC) Programme was launched on 1st May, 1978, with a view to providing an integrated administrative framework at the district level which would look at the problem of the industrialisation in the district in a composite manner. Till then, the entrepreneurs had to run to several agencies, many of them away from their sites for getting the facilities available for small entrepreneurs and had to approach various authorities for this purpose. Under the new programme of DIC, the entrepreneurs will get all the facilities and assistances under one

roof at the district and sub-district level. The main purpose of the programme is to weave all the Government functionaries in a single institutional framework so that the District Industries Centres can act as a focal point for the entire industrial growth of the district. The centres provide all services and support required by small entrepreneurs which include identification of a suitable scheme, preparation of feasibility report, arrangements for supply of machinery and equipment, provision of raw materials, credit facilities and inputs for marketing and extension services.

For effective functioning of the DICs, by and large, the State Governments have delegated most of the administrative and financial powers of the Department of Industries as well as these under the Import Trade Control Policy to the General Manager and functional managers so that all the inputs are provided to the entrepreneurs on the spot without referring the matter to the State level or the Central level. The State Governments have also developed linkages with the State and Central institutions for close inter-meshing of their activities. Efforts have also been made for fuller integration of the DIC programme with the Integrated Rural Development Programme and other programmes having impact on the development of small and village units.

Basically, the DIC Programme is a Centrally sponsored scheme which would be implemented by the respective State Governments under the overall coordination of the Central Government.

A DIC is manned by a General Manager supported by seven functional Managers.

The General Manager is the head of the institution and holds a key position, coordinating the work of all the functional managers and has close linkage with different agencies dealing with the development of small, cottage and village industries.

The DIC Programme is monitored at the District level, State level, Regional level and at the Central level. This is being done so that it is

ensured that the DICs work effectively to meet the objective for which they have been set up. A Central Coordination Committee has been set up with the Minister of Industry as its Chairman and the Development Commissioner (Small Scale Industries), Ministry of Industry as its member secretary. Similarly, State level committees have been set up with the Chief Minister or Minister of Industries as the Chairman. The District Advisory Committees will have District Collector as the Chairman and will provide guidance to the DICs on various aspects of development. The entire country has been divided into five regions: Northern, Eastern, Central, Western and Southern.⁷

Main services of DICs are:

- Provide machinery and equipment
- Economic investigation of local resources
- Provide raw material
- Marketing
- Quality input
- Consultancy and extension services.

Functions of the District Industries Centres (DICs):

The main functions of the DICs are enumerated as follows:

- 1- To survey existing traditional and new industries, raw materials, and human resources to identify schemes and give a market forecast for different items and to prepare sample techno-economic feasibility reports and to offer investment advice to entrepreneurs.
- 2- To assess the requirements of machinery and equipment for various types of small scale, tiny and village industries to assess sources of availability of machinery and equipment for different machines to advise entrepreneurs, to liaise with Research

⁷ Developing Commissioner (SSIs), *Incentives for Small Industries in Backward Areas*, April, 1981, p.33

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Institutions regarding research and development, arrange machinery on hire-purchase basis.

- 3- To arrange for training courses for entrepreneurs of small and tiny units and liaise with SISIs, SIET, and other institutions. To keep abreast of research and development in selected product lines and quality control methods.
- 4- To ascertain raw material requirements of various units, their sources and prices and to arrange bulk purchases of raw materials and their distribution to the entrepreneurs.
- 5- To liaise with lead banks and other financial institutions, apprise applications, monitor flow of industrial credit in the districts and to the entrepreneurs.
- 6- To organise marketing outlets, to liaise with Government procurement agencies, convey market intelligence to the entrepreneurs, organise market surveys, market development programmes, etc.

The DIC has a very close link with other State level organisations like State Financial Corporation and State Small Industries Development Corporation, etc. These State level organisations work in close cooperation with the DIC and provide all necessary assistance to the DIC so that all the inputs of these organisations are also made available to the entrepreneurs under DIC.

Performance:

The DIC framework has been designed to take up a systematic programme of identifying new entrepreneurs in the rural areas. Once such an identification is made, DICs, go a long way with entrepreneurs in providing them all assistance required for engaging themselves successfully in the chosen activities. Identification and development of entrepreneurship has, therefore, been given a place of prime importance in this DIC programme. In addition, the DICs are assisting the Integrated

Rural Development (IRD) and the Training of Rural Youth for Self Employment (TRYSEM) authorities in selection of beneficiaries from the target groups and making adequate arrangement for their training as well as their follow up.⁸

DICs were supposed to function effectively as a single window clearance. But, unfortunately, in the majority of the States power had not been delegated as a result of which even minimal dispensing function of providing land, power, water, raw materials etc. were not being performed by the DICs.⁹

According to S.S. Verma, the then D.C. (SSI), "the largest amount of money for any single activity in the small industries field in the sixth plan had been earmarked to the DIC programme. The total number of the DICs was 392 extending coverage to 405 districts in all. Although the DICs thus covered practically the entire country, their working and progress had not been uniform."¹⁰

Suggestions for Better Performance of the DICs:

A Working Group was set up by the Government to suggest ways for effective working of the DICs. The main recommendations of the working group were as follows:¹¹

1. Restructuring of DICs.
2. New thrust in DIC programme.
3. Enhancement of Power.
4. Training of DIG Personnel.

⁸ Developing Commissioner (SSIs), *Self Employment Through Small Household Industries*, Nov. 1981, p.33.

⁹ Tiwari N.D., The then Union Minister for Industry, Steel & Mines, Vide *Laghu Udyog Samachar (SIDO)*, Oct-Nov. 1982, p.2

¹⁰ Verma S.S., The then Developing Commissioner (SSI), *Laghu Udyog Samachar (SIDO)*, Oct- Nov, 1982, p.3.

¹¹ *Report on the Working Group on Small Scale Industries with special reference to Small Industries Centre (Tambe Committee)*, Oct. 1978.

Uttar Pradesh Small Industries Corporation (UPSIC):

A State Undertaking, the U.P.S.I.C., is a multi-service agency with an objective to promote, stimulate and accelerate the development of small industries in the State. It provides following assistance to small entrepreneurs:—

- 1- Procurement and supply of scarce raw materials.
- 2- Import of raw materials on behalf of small units.
- 3- Supply of machines on Hire-Purchase basis.
- 4- Package assistance like interest subsidy, margin money, sheds, finances from banks in industrial complexes.
- 5- Establishment of joint sector projects in backward areas.
- 6- Running of commercial undertakings such as electro-planting plant, sports goods factory, wood seasoning plants, etc.
- 7- Assist small units in marketing their products.

To assist small entrepreneurs in setting up new units and to encourage the expansion of existing units, the corporation in collaboration with State Bank of India arranges to supply machinery on Hire-Purchase basis on liberal terms.

Under its marketing assistance scheme, the Corporation assist small entrepreneurs in marketing of their products to the various departments of Central and State Government, Semi-Government Organisations and other bulk consumers. Units registered with the Corporation under this scheme are provided with following facilities.

1. Free tender enquiry relating to supplies through the Directorate of Industries, U.P. and D.G.S.D., Government of India.
2. Price Preference of 15% over large scale units.
3. Suitable orders in specific items based on bulk orders received by the Corporation.

To encourage the development of entrepreneurs in the backward areas of the State, the Corporation has also entered the field of direct investment participation. Under this scheme, the Corporation seeks to establish new industries in collaboration with local entrepreneurs of the backward areas. In such units, the local entrepreneur has 49 per cent of the share while the Corporation has 51 per cent of the share of the equity. Once the unit goes into production and becomes viable, the local entrepreneur can buy out the share of the Corporation to become the sole owner of the unit. So far, the Corporation has established many joint sector projects in backward areas of the State.

National Institute for Entrepreneurship and Small Business Development (NIESBUD):

In 1983, the Ministry of Industry, Government of India established National Institute for Entrepreneurship and Small Business Development (NIESBUD) for entrepreneurship development especially in area of SSIs.

NIESBUD was established as an apex body to co-ordinate the activities of various institutes and agencies engaged in entrepreneurship development to organise and conduct training programmes for them. The Institute is registered as a society under Government of India Societies Act, XXI of 1860 and started functioning from 6th July, 1983. It is also the secretariat of the National Entrepreneurship Development Board the apex body which determines policy for entrepreneurship in the country. The institute provides training to various target groups by evolving standardised model syllabi for the respective groups. The programmes organised by the Institute are government funded and its training activities are restricted to stimulating, supporting and sustaining entrepreneurship, in areas where the demand for such programmes is high or where there are no organisations conducting such programmes.

NIESBUD plays a supportive role in developing the efficiency of organisations which are directly or indirectly engaged in promoting entrepreneurship. The main objectives of the Institute are to accelerate the process of entrepreneurship development and to support and help institutes/agencies involved in entrepreneurship development to improve their efficiency. The other objectives are to evolve standard processes of selection, training, support and sustenance to potential entrepreneurs, to provide vital information and to provide functional forums, for interaction and exchange of experiences helpful for policy formulation and modification at various levels. The policy direction and guidance to the institute is provided by its governing council whose chairman and vice-chairman are the Union Industry Minister and Union State Minister of Industry respectively.

National Institute of Small Industry Extension and Training (NISIET):

National Institute of Small Industry Extension and Training (NISIET) was set up in the early 1950s at Hyderabad for the training to entrepreneurs, managers, and various development functionaries of State Government, financial institutions and other agencies.

NISIET was established as a Central Training Institute (CTI) in 1960. It aims at providing training initially for officers of SIDO. Later the activities were expanded and was renamed as SIET and later declared as NISIET.

The major activity of the institute is to provide entrepreneurial training and to meet the varied requirements of entrepreneurs. A number of new programmes were planned which covered almost all aspects such as development, management documentation and behavioural aspects. North East regional centre of NISIET was set up at Guwahati during 1979 as to develop that region. Major part of training takes place at the Institute which has facilities like well-equipped seminar rooms, Audio-visual section for providing training, a documentation centre and a hostel attached to train 160

participants at a time. The institute organised training programmes for other developing countries of Afro-Asia, the Pacific and the Caribbean regions. The institute organised and conducted ten international programmes of duration of 88 weeks in which 183 officers from 32 countries participated. The centre has been organising a series of EDPs which are jointly sponsored by NEC, IDBI, IFCI, ICICI and department of Industries of the respective state governments of the region.

Entrepreneurship Development Institute (EDI)

Entrepreneurship Development Institute was set up in May 1933 at Ahmedabad by All India Financial Institutions like Industrial Development Bank of India, Industrial Credit & Investment Corporation of India, Industrial Finance Corporation of India and the State Bank of India.

Main Functions of EDI:

The EDI performs the following functions:

1. It trains to new generation of entrepreneurs.
2. It identifies and selects the individual with some entrepreneurial traits and potential for the purpose of training.
3. It conducts result oriented development programmes in enterpriser, lacking regions like the Andaman, Kerala, Goa, Sikkim, Bihar and Arunachal Pradesh in a systematic and methodical manner.
4. It is promoting Small Scale Industries in industrially backward and rural areas by developing local, and human resources.
5. It conducts special programmes for Science and Technical graduates for self employment and for existing entrepreneurs.
6. It conducts extension motivation programmes for officers of financial institutions and development organizations.
7. It offers exciting avenues for self help, for Ex-serviceman, war widows, sons and daughters of dead soldiers.

EDI is a national resource institution committed to Entrepreneurship Education, training and research, striving to provide innovative training techniques, competent faculty support, teaching and training material, besides sharing benefits of inhouse research as well as experience in relevant sphere. EDI has been spearheading Entrepreneurship movement throughout the nation with the belief that entrepreneurs need not necessarily be born but can be developed through well-concerned and well-developed activities.

Small Industry Extension Training Institute (SIET):

SIET institute came into existence on ad-hoc basis to support the activities of State Government and Development Corporations with the following objectives:

1. Identification of industrial opportunities.
2. Identification of growth centers,
3. Preparation of regional development plans,
4. Industrial profiles,
5. Feasibility studies,
6. Organisational development, and
7. Designing of information systems.

The Development Commissioner, Small Scale Industries initiated a scheme in 1956 on experimental basis to develop manpower for the small sector. Under the scheme, part time courses in business management were introduced for the proprietors and senior managerial personnel of small industries in the small industry service Institutes (SISIs) at Bombay, Madras, Calcutta and New Delhi. The scheme proved useful and was gradually extended to other institutes. Later on, it was thought that technical training of workers employed in small units and the industrial extension personnel is also essential to enable them to acquire better skills and proper outlook for improving the quality of their services. For this, need was felt of a national level organisation.

In 1959, the Working Group on Small Scale industries (third plan) recommended the establishment of a Central Industrial Extension Training Centre where all the extension personnel could be given training for 8 to 12 weeks so that they could extend their technical and management knowledge efficiently to small entrepreneurs.

Functions of S.I.E.T.

S.I.E.T. Institute performs the following functions and activities in Jammu and Kashmir, Karnataka, Nagaland, Manipur Assam, Andhra Pradesh: 1. It provides entrepreneurial -development training to the educated unemployed. 2.It provides management counselling for sick industrial units. 3. It conducts training for trainees and consultants for entrepreneurs.

The main objectives of the Institute were defined as follows:

- (i) To provide, supervise and plan training for persons engaged in the small industry development and management activities.
- (ii) To undertake, sponsor or plan research programmes relating to the development of small industry.
- (iii) To execute technical assistance agreement with international or other organisations for provision of services for the development of small industry.¹²

The functional objectives of the Institute have grown to accelerate the growth of Small Industries in the country through training, research and consultancy.¹³

(a) Training: Training has been the major function of institute since its inception. The increasing emphasis on creating self-employment opportunities has induced SIET to train young engineers and technologists with a view to developing latent entrepreneurship, especially in industrially backward areas.

¹² Government of India, *Developing Commissioner (SSI) Small Scale Industries*, 1968, pp 209-210

¹³ Sharma, S.V.S.:(ed), . *Developing Commissioner (SSI) Small Scale Industries*, 1968, pp 209-210

(b) Research: S.I.E.T. undertakes research and survey as essential tools to strengthen its training and also to enhance the effectiveness of its factory as trainers. Some of the areas in which it has done a good deal of study are entrepreneurial development, small industry promotion techniques, industrial dispersal, growth centres, regional development, appropriate technology and management.

S.I.E.T.'s research is taken up on its own initiative as well as sponsored by the Government and other agencies. It also engages in collaborative research. S.I.E.T. is recognised as a lead Institute for research in entrepreneurial development in eight countries.

(c) Consultancy: The consultancy work in the Institute broadly relates to the following aspects.

- (i) Area and regional studies to identify the industries potential,
- (ii) Identification of various lines of ancillary development in the large and medium industries under the public and private sectors,
- (iii) Integrated development of industrially backward areas with special emphasis on entrepreneurship development,
- (iv) In company training programmes to upgrade organisation and skills in the company and the departmental training programme for the officers of industrial units, government departments etc,
- (v) Preparation of industrial profiles, feasibility reports industrial manuals, etc.
- (vi) Revival of sick units back to health, and
- (vii) Collaborative studies with international development and research bodies.

In view of the increasing requests for training research and consultancy services throughout the country, the institute has opened a branch S.I.E-T. Institute at Gauhati, which would cater to the requirements of the North Eastern States.

Small Industries Service Institute (S.E.S.I):

Small Industries Service Institutes are located at Ahmedabad, Bangalore, Kolkata, Cuttack, Guwahati, Hyderabad, Jammu and Kashmir, Indore, Kanpur, Kerala, Ludhiana, Chennai, imparting training to young engineers.

Besides there are so many other non-government institutions viz., S.I.E.T. Hyderabad, Motilal Nehru Regional Engg. College, Allahabad, P.D.T.C. Howrah, P.D.T.C. Okhla, New Delhi, Punjab Engg. College, Chandigarh, Gujarat Industrial Investment Corporation, Ahmedabad, I.I.T., New Delhi, I.I.T. Kanpur engaged in imparting training to young engineers.

National Productivity Council (N P.C.)

National Productivity Council provides package consultancy services to small scale industries, which are as follows:

1. It trains to young and prospective entrepreneurs.
2. It undertakes market surveys in the state/areas for identifying investment opportunities and consumption patterns for the prospective entrepreneurs.
3. It develops data bank for providing information in respect of investment opportunities and financial resources required for obtaining loans.
4. It undertakes techno-economic feasibility studies either on behalf of prospective or existing entrepreneurs or on behalf of financial institutions.
5. It assists the entrepreneur in repayment of loans in the minimum possible time by helping them in improving the productivity level of their enterprises through periodical visits.
6. It assists the small scale industries in training of workers in specific trades and supervisory and managerial personnel in techno managerial subjects.

7. It assists the existing enterprises in improving their enterprises productivity level through training and consultancy services; and assisting them in market studies and Sales promotion.¹⁴

Technical Consultancy Organisations (TCOs):

The TCO was established in Kerala in June 1972. The latest one is Haryana Industrial Consultants Ltd, set up in June 1986. At present, there is a network of 16 TCO's (8 under IDBI lead 3 under ICICI and 5 under IFCI) catering to the needs of small and medium enterprises all over the country.

Activities of TCO'S:

TCO'S performs the following activities:

1. Selection of machinery,
2. Providing process know-how,
3. Determining plant layout,
4. Erection and installation of machinery,
5. Industrial survey,
6. Preparation of project profiles and feasibility studies,
7. Conduct of entrepreneurial development programme,
8. Provision of technical and administrative assistance to small/ medium enterprises where necessary,
9. Assisting such entrepreneurs in their modernisation, technical upgradation programmes, etc., and
10. Revival of sick units, right from the stage of carrying out diagnostic studies to the actual implementation of rehabilitation schemes.

PDTC Okhla:

Prototype Development and Trading Centre in Okhla came into existence in 1962 in collaboration with Federal Republic of Germany. The Centre specializes in general purpose machine tools, and it has performed following activities.

¹⁴ Saravanvel P; *Entrepreneurial Development*, Esspee-key Publishing House, Madras, 1987, p. 405.

1. PDTC has trained 7373 persons in various trades. 2. It has developed 50 prototype equipments. 3. PDTC has taken the following items for batch production Die casting machines, Fuel briquetting machines. Lathes and soap making machines.

National Alliance of Young Enterprises :

NAYE was established in the year August 1972 under the sponsored programme of Entrepreneur Development Scheme, with Bank of India. The main objectives of the scheme is to help young entrepreneurs in identifying investment and self-improvement opportunities; securing property arrangements or their training including developing their manufacturing capabilities; providing necessary financial assistance on the basis of properly prepared reports; securing package of consultancy services on appropriate terms and arranging for all possible assistance, facilities and incentives being extended to young entrepreneurs by Government and other institutions. Apart from looking into the interests of young entrepreneurs, the organization takes special care of the interests of women entrepreneurs. Some of the major achievements of NAYE may be mentioned as follows :

a. Establishing its credibility in both governmental, and non-governmental circles as a highly professional, competent, effective and efficient non-governmental organization representing small and medium enterprises; b. establishing its affective presence in the area of international co-operation in small and medium enterprise sector; and c. creating and nurturing a new class of women entrepreneurs and enabling them to acquire their rightful place in the Indian economy¹⁵

NAYE's Activities :

After accomplishing the above mentioned task, the dynamic organization, the National Alliance of Young Entrepreneurs is moving towards newer areas of activities which will meet the needs of young entrepreneurs. Some of such areas are :

¹⁵ Medha Dubashi Vinje, *Women Entrepreneurs in India*, Mittal Publications, New Delhi, p. 164-165

(1) Developing technical computerized information service for guiding, advising and counselling members on matters, relating to investment markets and technologies; (2) establishment of technology trade centre for transfer of technologies upgradation of schemes and supply of equipments and services to the third world countries who are looking increasingly to India for meeting their requirements for accelerated industrial growth; (3) Creation of a system for induction of new technologies from industrialised countries for adaptation and assimilation by Indian small and medium enterprises, and to promote technology missions to meet identified needs and requirements of individual members; (4) bringing out series of research and publications on small and medium enterprise; (5) establishing institutional cooperation between NAYE and its counterpart bodies in both industrialized and world countries in mutuality of interest; and (6) organizing appropriate institutional system for prompting marketing the products of member units in the world market as well as in domestic market.¹⁶

Industrial Credit Investment Corporation of India (ICICI):

ICICI was established on the recommendation of World Bank team in 1954 and it started functioning from 5th June 1955 with an authorised capital of Rs. 25 crores and paid up capital of Rs 22 5 crores.¹⁷

Objectives of ICICI :

The objectives of the Corporation are as follows:

1. To encourage and promote the participation of foreign capital, both internal and external, in industrial concerns. 2. To ensure rapid expansion of the investment markets and to promote private ownership of industrial investments 3. To assist in the expansion, modernization and creation of private enterprises.

¹⁶ ibid; pp164-165.

¹⁷ A.V. Ranganadha Chary & R.R. Paul, *Banking and Financial Systems*, Kalyani Publishers, 2008, pp 158-160

Table 3.3 Showing Financial Assistance Sanctioned and Disbursed by ICICI

Year	Sanctions	Disbursements
1990-91	3744.0	1967.5
1991-92	4094.9	2351.3
1992-93	5771.8	3315.2
1993-94	8491.4	4413.3
1994-95	14527.9	6879.3
1995-96	14594.9	7120.4
1996-97	14083.8	11180.9
1997-98	24717.5	15806.9
1998-99	32370.6	19225.1
1999-00	43522.8	25835.7
2000-01	55815.2	31664.6
2001-02	36229.1	25831.0

Source: RBI

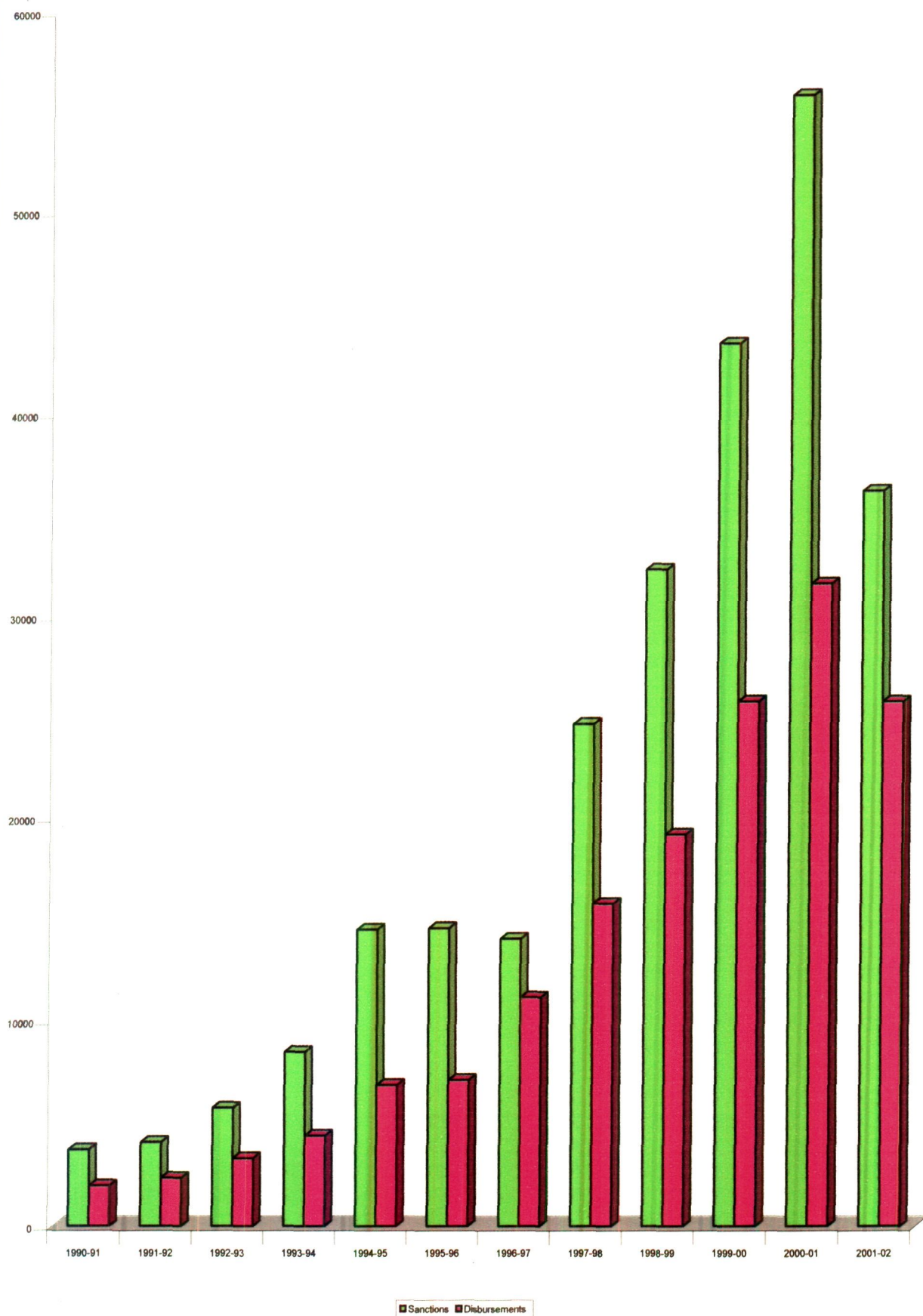
Table 3.3 shows that in 1990-91 the ICICI sanctioned financial assistance amounting to Rs. 3744.0 crores which went up to Rs. 36229.1 crores in 2001-02. The financial assistance disbursed by ICICI in 1990-91 was Rs. 1967.5 crores which rose to Rs. 25831.0 crores in 2001-02.

State Bank of India (SBI):

SBI is the only bank amongst the commercial banks in India, which has evolved a comprehensive programme for entrepreneurship development. From the traditional role of commercial banks, SBI pioneered as a premier banking institution by assuming the role of a development bank. It has formulated an elaborate plan to conduct entrepreneurship development programmes, particularly in the backward areas and started conducting EDPs since 1978. As per the bank's model, the EDPs consist of one month intensive training in behavioural sciences, management aspects and field training and during this period the entire cost of boarding and lodging is borne by the bank. The EDPs consists of three phases:

- (i) the initiation phase aimed at identifying persons with potential for development and entrepreneurial disposition,

Graph 3.3 showing financial assistance sanctioned and disbursed by ICICI
(Source : Table 3.3)



- (ii) the development phase to impart training programmes in developing motivation and management skills, and
- (iii) the support phase to encourage and support entrepreneurs to establish and operate the enterprise effectively.

The Bank recognised the importance of small scale industries in Industrial development and started financing SSIs on a large scale. A package of schemes and programmes was formulated by the bank to cater to the specific needs of the small scale sector. The schemes are— (i) the liberalised scheme of financing SSIs wherein 75 per cent of the project cost is met as bank loan; (ii) entrepreneurs scheme for financing technically qualified persons where under the entire project cost could be financed by way of term loan, and equity fund scheme for providing interest free loan to meet the equity gap up to Rs.1 lakh.

Directorates of Industries of the State Government and State Small Industries Corporations:

The work relating to the development of industries in general and small scale industries in particular is looked after by the Directorates of Industries in each state and Union Territory. There are 22 such directorates all over the country. The state directorates run various training schemes, production schemes and common facilities schemes. They also provide facilities to develop industrial land and build up factory sheds in industrial estates, allocate quotas of scarce raw materials, certify import requirements and organise industrial cooperatives. Their functions are varied and have grown with the development and diversification of small industry sector. The general assistance of these directorates include organizing EDPs, providing industrial accommodation, raw materials, machinery on hire-purchase basis, etc. Its activities under marketing assistance involve export assistance, price preference, quality marking, etc. These directorates provide financial assistance in the forms of loans, subsidies, margin money loans, rebates on handicrafts, raw material units, etc. State Small Industries

Corporations (SSICs) have been set up by 13 state governments as private limited bodies to undertake a number of commercial activities.

Khadi and Village Industries Commission (KVIC)

The coveted KVIC is a statutory organisation established in 1957 by an act of the parliament and is engaged in promoting khadi and village industries with a view of creating employment opportunities in the rural areas thereby strengthening the rural economy. It is an autonomous body which took over from its predecessor the "All India Khadi and Village Industries Board" set up in 1953. KVIC has 27 state board, 148 registered institutions and over 29,955 industrial cooperatives. KVIC has over 11,000 sales outlets in the country.

The Commission functions with the social objective of providing employment, economic objective of producing suitable saleable articles and the wider objective of creating self reliance amongst the people and building up a strong rural community spirit.

Main Rural Development Programmes

1. IRDP: The main objective of Integrated Rural Development Programme (IRDP) is to increase the income generating power of the families who are below the poverty line. Thirty per cent women should be the beneficiaries in Rural Development Programme run by the government. The main rural development programme are elucidated below.

2. IMY: Indira Mahila Yojana (IMY) was launched in August, 1995. Its main objective is to give a forward thrust to education, awareness, income generation capacity and empowerment to women. The platform for the forward thrust is to be done through self-help groups at the grassroots level.

3. RMK: Rashtriya Mahila Kosh (RMK) was established in 1992 with a fund of Rs. 31 crores to meet the needs of poor women by giving them loans. RMK is also organising training, apprenticeship and orientation programmes for trainers under the Indian Mahila Block Societies (IMBS). The objective of RMK is that credit becomes a widely known and used

facility for enhancement of the daily income of poor women. The experience of RMK is that the women would have been able to double or triple their daily income with the credit support of Rs. 2500 or Rs. 5000. The activities followed may be dairying, petty shop keeping and investment on the agricultural operations. RMK has disbursed Rs. 16 crores out of the sanctioned credit limit of Rs. 26 crores and the recovery is 92 per cent consequently for the last three years. This only proves that poor women are extremely creditworthy if NGO's give them the necessary support and guidance.

4. STEP: STEP was started in 1987 with the objective to provide training to rural women for increasing their production capacity and income generation. In this programme, they give training in the areas of traditional business like—agriculture, milk, fisheries, hand-looms, Khadi development, etc.

Around 2.5 lakh women have been benefitted by the programme since its inception. Maximum number of beneficiaries is from milk producing area. In 1996-97 (up to 31st December 1996), this programme had an expenditure of 1.44 crore and the number of women beneficiaries are 2400.

5. NORAD Programme: NORAD (Norwegian Agency for International Development) was established in 1982-83 to help the educated and uneducated women financially in non-traditional areas of business like electronics, computer programming, manufacturing of watches, printing, readymade garments, etc. 64200 women were benefitted by NORAD programme. In 1996-97 (up to 31st December 1996), it had an expenditure of 335.91 lakhs and the beneficiary women are 6065.

6. ARVIND: The National Bank for Agriculture and Rural Development (NABARD) has started a rural women development programme called ARVIND. It provides loan up to Rs. 10 lakhs to the women who work collectively in agriculture for their economic development.

7. DWCRA: DWCRA is the Rural Development Department's Scheme to support women's income generation activities through a group of 15 to 20

women each. The Government of India has launched this women and children development programme in 1982. The main objective of this programme is to strengthen the economy of rural women by giving them loan and economic assistance to develop their skills, efficiency and abilities to meet their liabilities effectively.

8. TRYSEM: TRYSEM is a sub-plan of Integrated Rural Development programme. It gives training to the young unemployed men and women for self-employment. The trainees get a stipend of Rs. 150 per month during training period. In this programme 40 per cent of total seats are reserved for women. Over 16 lakh women have been trained from its inception till now.

Central Institute of Tool Design, Hyderabad (C.I.T.D.):

A Central Institute of Tool Design, Hyderabad was started as a Government Department in 1968 under the Small Industries Development Organisation with the assistance of United Nations Development Programme and International Labour Organisation as the executing agency to serve the needs of small industries by training technical personnel in designing and making jigs, fixtures, tools, dies and moulds and providing advising and consultancy services to the industry in designing and development of tools for various processes. The Institute also undertakes, production of tools, jigs, fixtures, guages, dies, moulds, etc., subject to the condition that the jobs undertaken suits the Institute's training programmes.

The management of the Institute's affairs, which is a registered society, is entrusted to a governing council consisting of members drawn from the Government and the Industry. The Development Commissioner, S.S.Is, New Delhi, is the ex-officio Chairman of the Governing Council.

The CITR provides following services:

- (a). Tool room facility.
- (b). Design and development assistance.
- (c). Standardisation of tooling.
- (d). Consultancy'and Advising Services.

STATE LEVEL ORGANISATIONS:

State Small Scale Industries Board:

First and foremost among the State agencies, mention may be made of 'State Small Scale Industries Boards', which have been set up parallel to the 'All India Small Scale Industries Board'.

The State Boards generally comprise representatives of State and Central Government Departments, State Financial Institutions and the Associations of small scale industries in the concerned states. The broad functions of these boards are:

1. To advise the State Governments on the organisation and development of small scale industries.
2. To initiate, examine and supervise schemes for the development of small scale industries and to recommend such grants as the Board may deem fit.
3. To assist in coordination of activities of various departments with a view to developing small scale industries.
4. To advise on any other matter as may be necessary.

Thus, the main functions of these Boards are to advise and assist at the State level to foster growth of small Industries.

Directorates of Industries of the State Governments

Small industry is a State subject under the Indian Constitution and, therefore, the primary responsibility for all executive actions in regard to the development of small industries and implementation of the programme of assistance is that of the state governments. The work relating to the development of industries in general and small industries in particular in the states is looked after by the Directorate of Industries in each State and the Union Territories. Each directorate is staffed with administrative and technical officers at the state headquarters and district industries officers, now known as general managers, with appropriate supporting staff in each district. The State Directorates run various training schemes, production

schemes and common facilities schemes. They also provide facilities of developed industrial land and built-up factory sheds in Industrial Estates, allocate quotas of scarce raw materials, certify import requirements and organise industrial cooperatives.

In Uttar Pradesh, the Directorate of Industries is located at Kanpur. It covers all the districts of the State through District Industries Centres, Engineer managers of Industrial Estates, Deputy Directorates in Project Areas and Area Development Offices. The State has been divided into eleven zones, each zone under the charge of a Joint Director of Industries. The main functions of the Directorate of Industries, Uttar Pradesh, are as under¹⁸:

1. Registration of small industries and regulation of development of industries in the state.
2. Provision of financial assistance to small industries under the State Aid to Industries Act.
3. Distribution of Scarce and indigenous raw materials to the industrial units.
4. Granting of Essentiality certificate for import of raw material, component etc.
5. Development of Industrial Estates at the strategic points
6. Giving technical guidance, plant location services, etc,
7. Undertaking Industrial surveys, and collection of market information and existing position of Capacities available.
8. Development of infrastructure.
9. Arrangement for land, water, power etc.
10. Arranging concessions and incentives.

¹⁸ Developing Commissioner (SSI), *Entrepreneurship Development Programme, State Profile No. 2*, U.P., Sept., 1976, p.7.

U.P. Financial Corporation:

The U.P. Financial Corporation was established on Nov. 1. 1954, by the Government of Uttar Pradesh, under the provisions of the State Financial Corporation Act, 1951 with its headquarters at Kanpur. The main aim of the corporation is to promote the industrial growth of the State by providing financial assistance to small and medium sector industrial units in the following manner.¹⁹

1. Granting of loans for acquisitions of block assets, i.e., land, building, plant & machinery, and also for meeting the expenses on stamps and registration, interest during construction and consultancy fees.
2. Foreign Exchange loans under the I.D.A. line of Credit,
2. Deferred payment to the industrial concerns for the purchase of indigenous machinery.
3. Acting as an agent for schemes sponsored by the Central and State
4. Govt. applicable to backward areas, technical entrepreneurs of small industries.
5. Sporanteaing of loans/advances to the industrial concerns.
6. Equity participation in backward areas or with technical entrepreneurs by its special class of share capital.

The corporation has now 13 regional offices in each division of the State to meet the credit requirements of the entrepreneurs. The regional offices have been assigned the following functions.

1. Processing of loan application upto Rs. 8 lakh;
2. Sanction of loans upto Rs. 2 lakh;
3. Completion of legal formalities of all cases, irrespective of loan amount.
4. Disbursement of loan in all cases.

¹⁹ Government of U.P., *Industries Department, Guidelines to Entrepreneurs*, p. 46.

5. Processing of subsidy or margin money loan and other special schemes of the central or State Govt. upto Rs. 5 000 at a time.
6. Maintenance of accounts in respect of all the cases pertaining to the region including special schemes.
7. Recovery of all loans under the control of the region.

The Corporation provides loan amounting from Rs. 5,000 to Rs. 30 lakh for acquisition of block assets for establishing new units and/or for renovation, expansion, or modernisation of existing units. The loans are secured by mortgage of the entire existing assets of an industrial concern, including land, building, plant/machinery and the fixed assets to be created in the form of a legal or equitable mortgage. Loans can also be granted against the guarantee of State Govt., Cooperative Banks or the Scheduled Banks. Indirect financial assistance is also provided by the Corp. by issue of deferred payment guarantee on behalf of industrial units for purchase of indigenous machinery to their manufacturers or suppliers.

The Corporation has been authorised to work as an agent of the government on the schemes listed below:

- (i) Capital subsidy of the Central Government,
- (ii) State Capital Subsidy.
- (iii) Interest subsidy scheme of the Central Government for Engineer Entrepreneurs.
- (iv) Margin money loan scheme of the State Government for educated unemployed,
- (v) Interest subsidy scheme of the State Government.

Uttar Pradesh Export Corporation (U.P.E.C.):

UPEC was established in 1966 by the State Government for providing assistance to units manufacturing items for export. The corporation itself is a Government recognised Export House and enters directly into export

business in respect of both conventional and non-conventional items manufactured in the State.

The functions of the Corporation are as follows:

1. Arrangement of short term credit and marketing.
2. Coordination with various export promotion councils for cash incentives.
3. Securing import licenses against export obligations.
4. To act as exporter for the assistance of small exporters.
5. Survey of foreign export markets.
6. Post-shipment advance facility against export documents.
7. Internal marketing.

During the year 1982-83, total exports of the corporation were of Rs. 392.27 lakh as against of Rs. 229.7 lakh in 1976-77." The corporation has sponsored 3 export oriented industrial complexes during 1977-78 at Bulandshahar, Meerut and Aligarh. For marketing assistance, the export corporation has set up a number of show rooms in various parts of the country.²⁰

Uttar Pradesh State Industrial Development Corporation (U.P.S.I.D.C.):

UPSIDC is a government agency, designed to serve as a special instrument for planned and rapid industrialization. It was set up in 1961 with its headquarters at Kanpur and branch offices located at Ghaziabad, Lucknow, Agra, Rai Bareilly and Sikandarabad.³⁰²¹ The Corporation develops land in industrially potential areas and provides sites or sheds to entrepreneurs on easy terms. Mainly it provides infrastructural facilities to the entrepreneurs by developing industrial areas. The corporation also provides financial assistance to entrepreneurs in the form of underwriting of share capital for the projects located in the state.

²⁰ Government of U.P., *Industries Department*, 1982-83. p.112.

²¹ Government of U.P., *Industries Department*, *Industrial Growth in U.P.*, Sept, 1978, pp 31-32.

The main activities of the corporation are:²²

1. Acquisition of land and its development into industrial areas in different district of Uttar Pradesh.
2. Setting up of Joint Sector Projects.
3. Equity participation for technical entrepreneurs.
4. Development of industrial complexes.
5. Construction of Industrial Estates.

Uttar Pradesh Industrial Consultants Ltd. (U.P.I.C.O.):

UPICO was established in 1976 as a subsidiary concern of Industrial Development Bank of India for providing technical and management consultancy to industries being set up in the state. The corporation extends assistance to entrepreneurs in the preparation of feasibility reports, market surveys, etc. The Corporation also conducts Entrepreneurial Development Programmes and Executive Development Programme in the State. Since its inception in 1976, it has successfully conducted the entrepreneurial development programmes in many districts of the State and imparted training to small entrepreneurs. The Corporation has a data bank to furnish economic and industrial information to existing and prospective entrepreneurs. It also assists sick industrial units in their rehabilitation by providing several facilities declared from time to time by the Central and State Government.

Subsidies and Fiscal Incentives Provided by the Central Government:

The Government of India has recognised small industry sector as a priority sector and is according a number of incentives to the development of small industries in the country. In nutshell, following are the main types of incentives provided to the small entrepreneurs.

²² U.P. Industrial Department Corporation, Kanpur, Catalyst for progress pp. 2-3.

(a) Raw Material Supplies

The raw materials required by small industries have to be procured at moderate rates and in moderate quantities. Left alone the entrepreneurs may not be able to do this job because they cannot face the stiff competition in the market. Big industrialists, brokers, private stockists, auctioneers and the like will fleece them if there is no control in the pricing and quantity of raw materials required. To ensure easy availability of raw materials which are scarce and controlled, the Government has made arrangements to make them available to them at reasonable and fixed price through the channels like Small, Industries Development Corporation, Directorate of Industries etc. Raw materials are distributed through the depots of State Small Industries Corporations and District Industries-Centres.

(b) Supply of Machinery on the Hire-Purchase Basis

A small entrepreneur is not able to purchase whatever he requires to set up an industry from his own monetary resources. He has to depend upon the Government assistance in various ways. He faces problem of purchasing machinery by himself. This problem has been solved by the Government through the auspices of National Small Industry Corporation (NSIC), which helps small entrepreneurs to purchase and procure machinery on hire-purchase scheme of NSIC. However, its role is not restricted to just making the machinery available on hire-purchase basis but it also offers training as to how this machinery is to be handled, operated and maintained. Moreover, it also offers training on transfer of know-how and testing facilities.

(c) Assistance in Marketing

The success of small industries depends almost solely upon the ability and efficiency to market its products. On their own, the entrepreneurs may face problems in selling their products hence, they need some help from the Government. Therefore, the Government offered marketing assistance to them for the development of small industries.

The biggest department of Government which has been entrusted with the marketing assistance to be offered to the entrepreneurs is Directorate General of Supply and Disposal (DCS & D). It undertakes purchases for Government offices. Apart from the DCS & D, there are other departments, which have to purchase their goods from the small industries compulsorily. These are Indian Railways, Post and Telegraph Department, Defence Organisations, Canteen Stores, State Governments etc.

(d) Training Facilities

Training of entrepreneurs has been one of the important activities of the Small Industries Development Organisation and its allied agencies. Training facilities to entrepreneurs to improve their technical managerial and marketing skills are offered by the SISIs, SIET Institute. Hyderabad, NSIC and specialised training institutions set up at the Centre and by the State Directorates of Industries. The Central Institute of Tools & Designs at Hyderabad, the Proto-type Training Centre at Okhla in Delhi under the NSIC, and several special training programmes in various states are providing facilities for imparting technical skills to the entrepreneurs; in plant training programmes are also arranged in some cases.²³

(e) Financial Assistance

Non-availability of Credit on easy terms has been one of the major handicaps of Small Industries in India. The Government and the financial institutes have introduced various schemes to assist these industries in obtaining Credit facilities.

Long and medium term credit requirements of Small Industrial Units are met by the State Financial Corporations, State Directorates of Industries and Scheduled Commercial Banks. These organisations provide financial assistance to small units on comparatively liberalised terms.

²³ Sharma, S.V.S., (ed), *Developing Entrepreneurship*, op.cit, p 15.

Besides the above, certain other schemes have also been devised by the Government to provide financial assistance to the small entrepreneurs which are furnished below:-

(i) Composite Loan Scheme

Since February 1979, Industrial Development Banks of India has framed this scheme to meet the credit requirements of individual artisans and units in tiny sector upto Rs. 25,000 inclusive of equipment finance or working capital or both. Repayment period in such cases ranges from 7 to 10 years or even more with an initial moratorium of 12 to 18 months both for interest and principal amount of the Loan. With a view to providing speedy flow of institutional finance to this sector composite loans are covered under Automatic Refinance Scheme. Financial institutions are not expected to insist on any margin on such loans because the Deposit Insurance and Credit Guarantee Corporation covers 90 per cent risk on such loans.²⁴

(ii) Guarantee Cover for Loans to Small Industries

Commercial Banks including Regional Rural Banks, State Financial Corporations and certain Cooperative Banks and Industrial Development Corporations which give loans to Small Industries can now get Guarantee cover from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under a new scheme introduced by it with effect from April 1, 1981. The extent of guarantee cover (as percentage of the amount in default) is as under:-

Borrowers having total credit facilities or loan amount not exceeding Rs. 25,000.	90%
Borrowers having total credit facilities over Rs. 25,000 but not exceeding Rs. 2 lakh.	75%
Backward districts specified by Government and other areas as may be specified by DICGC.	66.67%

²⁴ Development Commissioner (SSI), *Incentives for SSI in Backward Areas*, April, 1981, p 10.

(iii) Seed or Margin Money Scheme

Margin money or Seed Capital may be called 'Equity' assistance for convenience. There was a dire need to assist new Small Entrepreneurs with soft loans to supplement their equity. Such assistance improves the debt-equity ratio, which is essential to enhance the capability of the entrepreneurs to withstand stresses and strains in the initial period of operations and also for reducing the interest burden during this period.

The margin money or Seed Capital Scheme was introduced as a centrally sponsored scheme in 1973. The scheme was operated through the State Governments. Under the scheme, the funds were made available to State Governments as loans and grants in aid for providing soft loans assistance to entrepreneurs to supplement the promoters' contributions for meeting margins while taking loans from banks and machinery on hire-purchase from Small Industries Development Corporations etc.

Margin money assistance is available to the units whose investment in plant and machinery does not exceed Rs. 2 lakh. The extent of assistance is 10% of the total investment comprising fixed capital investment, pre-operative expenses and 3 months working capital requirements or Rs. 20,000, whichever is less.

In case of entrepreneurs belonging to Scheduled Castes or Scheduled Tribes, the margin money assistance may be 15% of the total fixed investment or Rs. 30,000, whichever is less.

The scheme covers the areas having a population of less than 50,000 as per the 1971 Census.²⁵

(iv) Central Interest Subsidy

Interest subsidy amounting to the difference between interest rate of 7 per cent per annum and the rate of interest charged on the loans advanced by the financial institutions subject to maximum of Rs. 20,000 per annum is paid by the Government of India under this scheme. The scheme of interest

²⁵ Development Commissioner (SSI), *Facilities for Development of SSI*, Feb. 1982, p.11.

subsidy shall be limited to a period of 5 years for the engineer entrepreneurs, who set up small industries in any of the selected backward districts/areas and to a period of 3 years for the units, which are set up in area other than the backward ones.²⁶

(v) Price Preference

Small units are entitled to 15 per cent price preference over medium and large scale units in the country irrespective of the place of location. An additional price preference at varying rates by different states is also given in respect of State Government purchases.²⁷

(vi) Capital Subsidy

Central Government provides a capital subsidy at the rate of 15 per cent of the fixed investment (land, building and machinery) units as also for expansion, diversification and modernisation programmes of expansion in specified backward areas in different States. This is in addition of Capital subsidy given by various State Governments. Maximum limit of such subsidy is Rs. 15 lakh.

(vii) Reservation of Items for Exclusive Manufacture in Small Sector

During the First Five Year Plan period a number of industries including furniture making, sports goods, slates and pencils, beedies, writing inks, chalks and crayons and candles had been specifically reserved for small industry sector with the objective of discouraging large scale undertakings to take up such items. Afterwards many other items were reserved exclusively for the small industry sector. The idea was that medium and large scale units should not be allowed to enter into the fields where small units have already established. Substantial capacities, taking advantage of the liberalisation of licensing procedures. The intention was that all items—consumer goods or producer goods, which are technically feasible and economically viable for being produced in the small industry

²⁶ Tulsi, S.K., *Incentives for Small Scale Industries*, 1980, p.20.

²⁷ Ibid, p. 21.

sector should be excluded from the purview of the medium and large sectors. This, it was hoped, would broaden the base of entrepreneurship and help to canalise the flow of new investment in Small industry sector. At present, 874 items have been reserved for exclusive manufacture in Small industry sector.²⁸

(viii) Income Tax Rebate

With a view to give a fillip to the growth of small industries, the Income Tax Act, 1961 provides for special incentives to the entrepreneurs for establishing small units. There are two sections in the Act, viz., Section 32 (A) and Section 80 HHA, which have the effect of giving preferential tax investment to small scale units vis-a-vis large scale units. Section 32 (A) deals with Investment Allowance which provides for a deduction of 25% of the cost of the new plant or machinery in respect of the previous year in which the new plant or machinery was installed. This allowance has been broadly designed on the lines of the Development Rebate which had been discontinued since May 31, 1974. During the first year of its operation i.e. 1977-78, Investment allowance was not allowed to a small unit if it was engaged in the manufacture of articles of low priority specified in the Eleventh Schedule of the Act. But from the assessment year 1978-79 the benefit of investment allowance is being extended to all small scale undertakings.

The other provision of the Income Tax Act dealing with the small scale undertaking for the purpose of providing tax relief to the assessee is the section 80 (HHA) of the Act which was introduced by the Finance Act 1977, to be effective from the assessment year 1978-79. This section lays down that where the gross total income of an assessee includes any profits and gains derived from a small scale industrial undertaking set up in any rural area, the tax payer shall be entitled to a deduction of an amount equal

²⁸ SIDO, *Annual Report*, 1983-84, p. 315.

to 20 per cent of such profits and gains. This deduction is admissible for a period of ten assessment years beginning from the first year of production.

(ix) Excise Duty Exemption

An important protective measure given to Small Units in certain production lines is their exemption from the payment of excise duties. Excise duty is imposed by the Government of indigenous production of selected items in order to raise-revenue. It has been found that such excise duties applied uni-formally on large and small sectors were having adverse effect on the establishment and growth of small units. Therefore, in respect of some specified groups of small industries, the excise duty is completely abolished upto a certain level of production and on additional production, the excise duty is levied or* reduced rates. So far as current position of excise duty on small industries is concerned, the Finance Bill, 1985 envisages, "the excise duty mechanism has been used to encourage the growth; of small sector. Under the present general scheme relating to-67 specified groups of commodities, full exemption is available upto first clearances of Rs. 7.5 lakh and clearances thereafter upto Rs. 25 lakh are charged to duty at 75 per cent of the duty otherwise payable. However, unit whose clearances had. exceeded Rs. 25 lakh in the preceding financial year is not eligible for the concession. In order to see that the cut-off limit of-Rs. 25 lakh does not inhibit the growth of the small scale sector, the eligibility limit was raised to Rs. 75 lakh. This scheme was further liberalised by providing for slab rates. For clearances between Rs. 7.5 lakh and Rs. 15 lakh the rate will be 25 per cent, for clearances between Rs. 15 lakh and Rs. 25 lakh the rate will be 50 per cent and for clearance between Rs. 25 lakh and Rs. 40 lakh the rate will be 75 per cent of the duty otherwise payable. The revised scheme envisages that even when a manufacturer exceeds the limit of Rs. 40 lakh, he does not lose the concessional rates applicable at the lower slabs, till he exceeds Rs. 75 lakh²⁹.

²⁹ Text of Finance Bill, 1985, *The Economic Times*, 17th March, 1985.

Fiscal Incentives and Subsidies Provided by the U.P. State Government

The U.P. Government, like many other States of the country, has devised appropriate strategy and adopted a dynamic and result oriented policy to the industrial growth in the States. The main thrust of the policy is on speeding up of the development of small industries, especially in semi-urban and rural areas. A number of measures have been initiated by the Government for the same. A package of attractive incentives is being offered for small industries which are being discussed below

(i) Power Subsidy:

Under the scheme from April 1, 1976, industrial units of the State using upto 20 H.P. of power are allowed subsidy for 5 years from the date of connection at the rate of 9 paise per unit of consumption. Amount of expenditure exceeding 9 paise per unit is to be borne by the Unit itself³⁰.

Such new units whose demand of contracted power load exceeds 100 KW are given 15 per cent rebate on their bills for 3 years.

(ii) Exemption from Electricity Duty

All such units 'whose capital investment does not exceed Rs. 25 lakh and are located in backward areas of the State have been exempted from electricity duty for 3 years. Those having generating sets installed after 2nd January, 1973 would be exempted from electrical duty irrespective of the area in which they are located.

(iii) Exemption from Sales tax

All the new units starting production in certain group of industries are exempted from payment of sales-tax on purchase of raw materials and packing materials for five years if located in backward districts and for 3 years if located in non-backward districts.

³⁰ Developing Commissioner (SSI), *States Profiles Series* No.2, U.P., 1976, p.15.

(iv) Conversion of Sales-Tax into Interest Free Loan

The State Government through the Pradeshia Industrial & Investment Corporation of U.P. (PICUPJ gives interest-free sales-tax loans to units which are registered under the Indian Factories Act and those registered with Directorate of Industries. Maximum limit of loan is the amount of sales-tax paid by an unit on sale of manufactured goods within the State for a period of five years from the date of commencing production or Rs. 50 lakh in case of backward areas and Rs. 40 lakh in case of non-backward areas, whichever is less. The amount is repayable in 6 annual instalments after 12 years from the date of first disbursement of such loan³¹.

(v) Exemption from Octroi Duty

All new industrial units are exempted from payment of Octroi duty, toll or terminal tax leviable on plants and machinery and building materials for a period of five years from the date of grant of letter of intent or licence or Sales Tax registration. Certificate for the exemption is given by PICUP, UPFC and UPSIDC in respct of units which have been financially assisted by these Corporations and by Zonal oflSces of the Directorate of Industries for others.³²

(vi) Transport Subsidy

Transport subsidy is provided to new small industrial units established after July 1, 1971 in the 8 districts of Uttar Pradesh through PICUP and UPFC. The rate of subsidy is 50 per cent of the cost of transporting raw materials from the nearest Railway station to tha site of factory and finished pro-ducts from the factory site to the railway station.

Special Programmes for the Development of Entrepreneurship

Development of entrepreneurship in small industry sector has been one of the main objectives of the planned economic development of the country. In addition to the activities of the All India Boards and

³¹ Government of U.P., *Industries Department, Guidelines to Entrepreneurs*, p.21.

³² Developing Commissioner (SSI), *Training Programmes of Small Scale Industries Development Organisation*, p.2.

Commission, the SIDO has been operating a comprehensive industrial extension service in the form of technical economic and managerial consultancy and have taken up special programmes for development of entrepreneurship in the small scale sector. Various Entrepreneurship Development Programmes are conducted to convert certain categories of persons into prospective entrepreneurs and to enable them to set up their own small scale units. The following are the different types of programmes to develop entrepreneur-ship³³.

(i) Entrepreneurial Development Programme for Engineers

The rising rate of unemployment among engineers during early 1970s, necessitated special measures to be taken for providing self-employment opportunities in their respective fields. Accordingly, the Ministry of Industry in 1970 devised a special scheme for training of unemployed engineers in industrial entrepreneurship with a view to orienting them towards small industries and motivating them to take up self employment ventures by setting up small units of their own. The course content of such training programmes included planning for small industry, fulfilment of procedural formalities, preparation of bankable project reports, marketing surveys, etc.

(ii) Entrepreneurial Development Programme for Non- Engineers

This programme was started by Small Industries Development Organisation for non-engineers during 1978-79 to develop a new category of entrepreneurs from amongst women, rural artisans, technicians and foremen, students, weaker sections of the society, physically handicapped persons, etc. The main objective of the programme is to motivate the participants to set up the manufacturing units in order to employ themselves and many others. This programme was divided into two categories, viz., (a) identification, selection and motivation of entrepreneurs; and (b)

³³ Developing Commissioner (SSI), *Training Programmes of Small Scale Industries Development Organisation*, p.2.

entrepreneurial development, training programmes for women, rural artisans, etc.

In addition to various Entrepreneurship Development Organisation conducts following types of training programmes³⁴.

(a) Training in Industrial Management

These courses are designed for small entrepreneurs and their supervisory personnel engaged in managerial duties. These are conducted in the evening at places of concentration of small industries. In most of the states, SISIs conducts these courses without charging any fee for such courses. The main types of management courses are as under:

- (i) Industrial Management Courses.
- (ii) Specialised courses in management.
- (iii) Techno-managerial courses,
- (iv) Ad-hoc courses in Management subjects.

(b) Technical Training Courses

SIDO conducts various regular and ad-hoc training courses in technical areas through the SISIs with a view to improving the existing skills and competence of skilled and semiskilled workers. Trainees of these courses are paid regular stipend of Rs. 100 per month. Main types of Technical Training Courses are following:

- (a) Shop practice courses.
- (b) Trade oriented courses.
- (c) Process oriented courses.
- (d) Product oriented courses.
- (e) Blue print reading courses,
- (f) Ad-hoc courses.

³⁴ Quoted in *Rural and backward Areas- Special Incentives and Programmes for Industralisation*, Developing Commissioner (SSI), Jan., 1977.

Some Special Programm for the Development of Small Industries in Backward Areas

In order to evolve a strategy for development of small industries in backward areas, the Central Government had set up a committee, known as Nayak Committee³⁵ to examine the proposal for the setting up of a Central body to direct such development and to review the working of the existing incentive schemes. The committee has made several significant recommendations to quicken the pace of industrialization of backward areas. On the basis of these recommendations various efforts were made for development of industries in rural and backward areas. A brief discussion of these is as follows:

(a) Establishment of Rural Industries Project (R.I. P.)

With a view to accelerating the development of rural areas so that they may have direct effect on the economy, the R.I.P. Programme was initiated as a Centrally-sponsored scheme by the Planning Commission in 1962-63. Initially the programme covered 45 areas in 15 States and in 4 Union Territories. By 1978, 92 districts were covered under this programmes.³⁶

(b) Establishment of Rural Artisans Programme (R.A.P.)

The R.A.P. Programme was launched during 1971-72 by the Agriculture Ministry. Later on, this was transferred to the Ministry of Industry. From April 1, 1976, this programme was in operation in 41 R.I.P. areas of the country.

Now with the setting up of District Industries Centres, the contents of R.I.P. and R.A.P. promotional schemes have been merged with D.I.C. programme⁴⁶.

³⁵ Developing Commissioner (SSI, *Incentives for Small Industries in Backward Areas*, April, 1981, p.34.

³⁶ Developing Commissioner (SSI, *Incentives for Small Industries in Backward Areas*, April, 1981, p.34.

(c) TRYSEM and ISB Programme

The National Scheme of 'Training of Rural Youth for Self-Employment' (TRYSEM) and 'Industries, Services and Business' (ISB) Programmes aim at planning strategy for the rural industries sector by providing reasonable income to the rural artisans and a substantial increase in employment opportunities. These programmes aim at identifying 40 youth under TRYSEM and 100 families under ISB Programmes in a block. Income is the main criterion for identification of beneficiaries under these schemes. The families below the poverty lines have to be listed under different income groups starting from the lowest and priority is given to the poorest families in conformity with the Antyodaya approach.

Scheme Regarding Establishment of Nucleus Plants

The Individual Policy statement made in the Lok Sabha on the 23rd July, 1980, laid emphasis on development of ancillaries through the concept of 'Nucleus Plants'³⁷. The Nucleus Plants would concentrate on assembling the products of the ancillary units falling within the orbit of producing the inputs needed by the large number of small units and making adequate marketing arrangements. It is envisaged that such complexes will also ensure a widely spread pattern of investment and employment. With the above objective in view, it is proposed to establish a chain of Nucleus Plants in the industrially backward districts/areas in the country and thereby generate a spread out network of small scale units in these areas. These Nucleus Plants will also have necessary forward and backward linkages with various small industries in the area.

Conclusion

This chapter studies role, objectives, functions and progress of various financial institutions, organizations and institutions in the development of entrepreneurship and Micro, Small and Medium Enterprises

³⁷ *ibid*, p.40.

(MSMEs). The next chapter studies the background and state of economy of Uttar Pradesh, financial assistance to SSI by SIDBI, overview of promotional and development initiatives of SIDBI in U.P. and their progress.

SOCIO-ECONOMIC PROFILE OF UTTAR PRADESH (U.P.)

- ❖ Background of Uttar Pradesh (U.P.)
- ❖ State of Economy
- ❖ Financial Assistance to SSI By SIDBI
- ❖ Overview of Promotional And Developmental Initiatives of SIDBI in U.P.
- ❖ National Programme for Rural Industrialization
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- ❖ Management Development Programmes:
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Kanpur
 - ❖ SIDBIs Centre For Innovation And Incubation For Small Industries (SCII) at
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Chapter 4

SOCIO-ECONOMIC PROFILE OF UTTAR PRADESH (U.P.)

Background of Uttar Pradesh (U.P.)

The state of Uttar Pradesh is one of the largest states in the country with an area of about 2.36 lakh sq. km, accounting for 9% of the total area with 71 districts. The population of the state is estimated to be 16.61 crore, rendering it as the most populous state. The state of U.P. has literacy rate of 57.36 % and per capita income works out to Rs. 5,983/-.

State of Economy

The state has primarily an agro- based economy which employs 73% of the total workforce with the contribution of 43% to the state's domestic product. It is the leading producer of a variety of agricultural products / raw material for industrial sector in the country. U.P. is the largest producer of foodgrains and oil seeds in the country. Wheat, maize, barley, gram, sugarcane and potatoes are major agricultural produce from the state. The state is also rich in mineral base and bovine population. Industrial sector contributes about 20% of the Net State Domestic Product whereas the tertiary sector contributes about 37%, which is in line with the evolving nature of the national economy.

The state is served by a vast network of road and rail and several centres have developed airports. In terms of sheer size of the state, a huge market for industrial produce is also available. The rate of growth of industry in the recent past has varied between 2% to 6% per annum. The traditional organised industrial sector of U.P. comprises of agro - based industries such as sugar, cotton textiles, edible oils, misc. food preparations, paper etc. Other industries include electricity generation, rail road equipment, electrical machinery, basic industrial chemical and aluminium and cement factories, leather based industries, cotton textiles and miscellaneous, foods item (mainly comprising

edible oil including hydrogenated oils), mainly in the large sector. The IT wave has swept the state also in recent years, with U.P. emerging as a major player in the industry. With the entry of major corporate in the state, the optical fiber connectivity is gradually covering the entire state offering potential for future growth of the ICE (Information, Communication and Entertainment) sector. The state has witnessed the emergence of multiplexes of late.

Financial Assistance to SSI by SIDBI

Small Industries Development Bank of India (SIDBI), established in 1990, has been providing financial assistance to the SSI sector as well as catering to its wide ranging promotional and developmental needs through various tailor made programmes. The overall financial assistance extended in the state of U.P. vis-a-vis the rest of the country is as under:

Table 4.1: Showing U.P. State Profile

Year	All India		U.P. State		Percentage Share	
	Sane.	Disb	Sane.	Disb.	Sane.	Disb.
1990-91	2,410.07	1,838.83	198.95	165.23	8.25	8.98
1991-92	2,847.02	2,028.01	212.37	138.21	7.45	6.81
1992-93	2,909.19	2,146.27	227.79	145.95	7.83	6.8
1993-94	3,356.34	2,672.67	154.12	160.8	4.59	6.01
1994-95	4,706.25	3,389.84	250.91	184.91	5.33	5.45
1995-96	6,056.56	4,800.83	450.93	434.14	7.44	9.04
1996-97	6,485.32	4,584.69	445.41	319.75	6.86	6.97
1997-98	7,484.16	5240.70	525.43	375.18	7.02	7.15
1998-99	8,879.8	6285.20	177.09	201.55	1.99	3.2
1999-00	10100.00	6800.00	172.39	134.48	1.7	1.97
2000-01	10821.00	6441.00	307.16	197.02	2.84	1.97
2001-02	9025.00	5915.00	266.28	113.32	2.95	1.92
2002-03	10,903.54	6,789.41	239.43	163.42	2.20	2.41
Total	85,984.25	25,945.41	3,628.26	2,733.96	4.22	10.54

Source: SIDBI, Head Office, Lucknow.

Graph 4.1 showing percentage share of U.P. in total sanctions and disbursement by SIDBI (Source: Table 4.1)

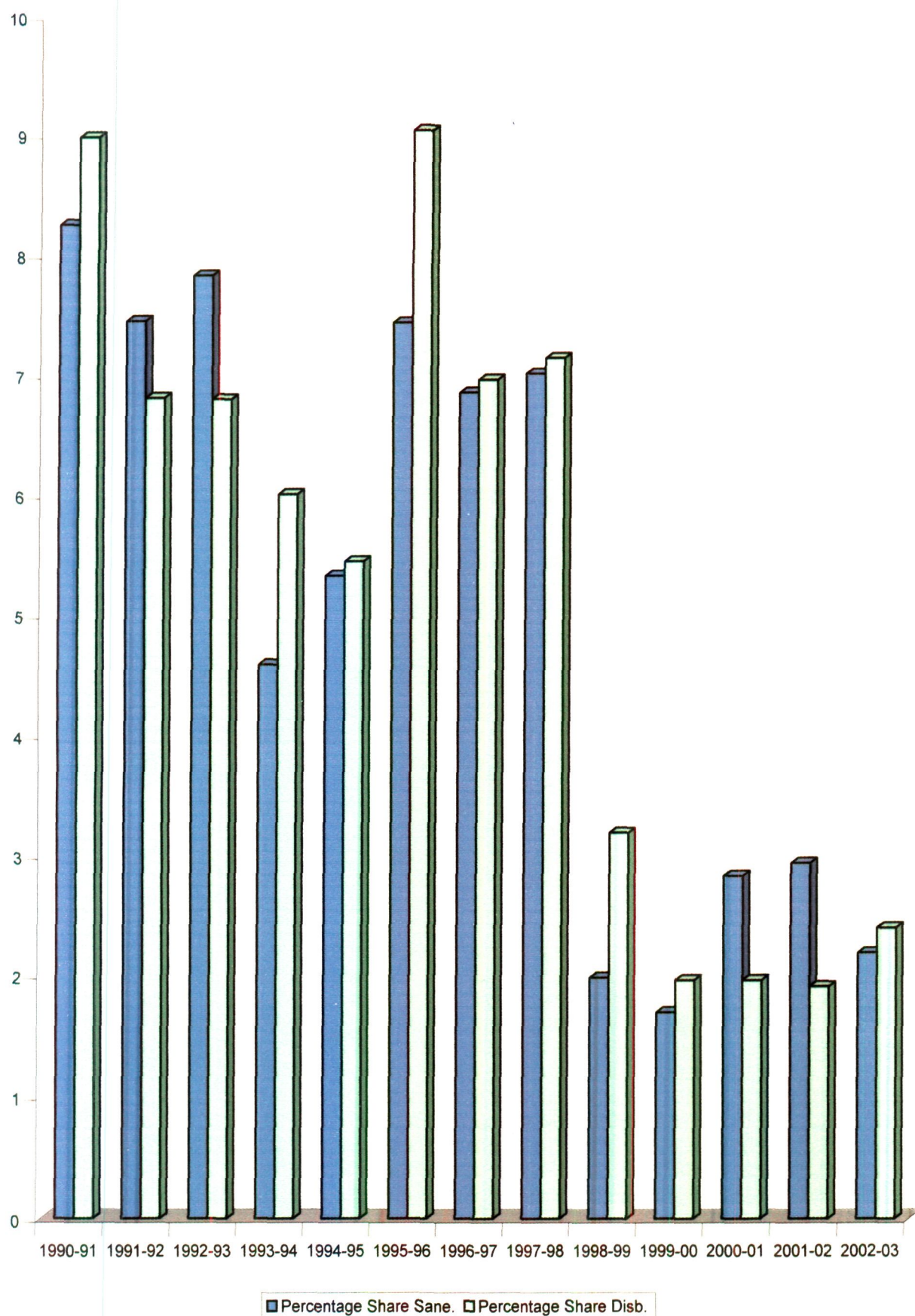


Table 4.1 shows total financial assistance sanctions and disbursements by SIDBI in India and U.P. state. During the financial year 1990-91, SIDBI's sanctions and disbursement at all India level amounted to Rs. 2,214.07 and Rs. 1838.83 respectively, while its sanctions and disbursement in U.P. state for the same period amounted to Rs. 198.95 and 165.25 respectively. The percentage share of U.P. state in total sanctions by SIDBI in financial year 1990-91 is 8.25 percent and 8.98 percent in disbursement. In the financial year 2002-03 total sanctions and disbursement by SIDBI rose to Rs. 10903.54 and Rs. 789.41 respectively out of which the parentage share of U.P. state in sanctions and disbursements is 2.20 percent and 2.41 percent respectively. It is evident from table 4.1 that the percentage share of U.P. state in total sanctions and disbursements by SIDBI is continuously declining except in the financial year 1995-96 and 1997-98.

Overview of Promotional and Developmental Initiatives of SIDBI in U.P.

SIDBI has taken several promotional and developmental initiatives in the state. A summary of such activities is outlined as under:

RIP districts in the state are Mirzapur, Pratapgarh, Jaunpur, Varanasi Rural, Gorakhpur, and Ghazipur. Under the programme, more than 500 units have been grounded so far.

With a view to impart greater thrust to RIP in U.P., Entrepreneurship Development Institute of India (EDII), Lucknow has been assisted towards building Support Team for Rural Industries Programme (STR). EDII STR is working towards bringing about a qualitative upgradation in the implementation of RIP in terms of providing technology linkages, marketing tie ups, and substantially increasing the number of viable enterprises set up under the programme.

RIP Awareness Workshops/EDPs have been sanctioned in RIP districts to strengthen RIP.

Special programmes like 'design and technology demonstration projects have been organised in Chunar (pottery cluster), Mau (handloom cluster) and

Ghazipur (tapestry cluster) through EDII, Lucknow with the help of specialised institutions like National Institute of Design (NID) and Central Glass and Ceramic Research Institute (CGCRI) etc.

Assistance of Rs 9.08 lakh was sanctioned to IEDUP, Lucknow for implementing RIP in the eastern districts of Varanasi Rural, Jaunpur and Gorakhpur. IED has reported to have helped in grounding of 20 units in Varanasi Rural, 22 in Jaunpur and 24 in Gorakhpur. Performance incentive towards 20 units was sanctioned to IED during the year.

Services of Purvanchal Grameen Kalyan Sansthan, Ghazipur (PGKS) have been retained for implementing RIP in Ghazipur district. Assistance of Rs 3.12 lakh was sanctioned to the agency for the purpose. The agency is reported to have grounded 55 units during the year and performance incentive for 13 units was sanctioned.

National Programme for Rural Industrialization

Institute of Engineering and Rural Technology (IERT), Allahabad has been sanctioned grant assistance of Rs.4.43 lakh under National Programme for Rural Industrialization (NPRI) for meeting the cost of training and transfer of technology in the pottery cluster at Soraon Block, district Allahabad. About 500 potters are expected to benefit from the initiative.

Second installment of Rs 1,29,3907- was disbursed. NCERTT IERT has trained 72 beneficiaries in 5 batches. The beneficiaries have been trained in manufacturing of decorative items like flower / candle stands, Agarbatti stands (pots etc. IERT has set up to marketing outlets, one in its premises at Chatham Lines, Allahabad and other in the premises of Women Polytechnic, Civil Lines, Allahabad.

Micro Credit Scheme

Assistance of around Rs. 900 lakh has so far been sanctioned to 6 NGOs/MFIs for on-lending to Self Help Groups under Micro Credit Scheme. The assistance has reached almost 30000 beneficiaries, mostly poor women, so

far. The Agencies are also given grant support for providing capacity building inputs including financial management.

Grameen Development Services, a Lucknow based agency, was sanctioned the third tranche of assistance by way of loan of Rs 20 lakh for on-lending and capacity building assistance of Rs 8 lakh under MCS comprising of Rs 4 lakh towards operational deficit and Rs 4 lakh towards Technical Assistance. As on March 31, 2003 the agency had reached out to 807 SHGs benefiting 4636 members.

CASHPOR Financial and Technical Services Ltd (CFTS) was sanctioned the fourth tranche of assistance by way of loan of Rs 140 lakh and capacity building grant of Rs 27 lakh. The agency has also been sanctioned a transformation loan of Rs 90 lakh for conversion in to a NBFC. The outreach of CFTS as on March 31, 2007 stood at 25,207 borrowers.

Mahila Vikas Nidhi

7 NGOs have been sanctioned total assistance of Rs. 50.07 lakh (loan Rs.32.31 lakh and grant Rs. 17.76 lakh) under Mahila Vikas Nidhi (MVN) to set up training -cum -production centres for the economic uplift of women and rural poor in the districts of Sultanpur, Kanpur, Lucknow, Fatehpur and Ghazipur.

Entrepreneurship Development Programme (EDP):

SIDBI has been regularly sanctioning EDP, Rural EDP, STUP and ISO 9000 Awareness Programmes to various agencies.

EDPs/REDPs/ TSEDPs are being conducted by well-known institutions and NGOs like Entrepreneurship Development Institute of India (EDII), Ahmedabad, Institute of Entrepreneurship Development UP (IEDUP), National Botanical Research Institute (NBRI), Central Institute of Medicinal and Aromatic Plants (CIMAP), Central Institute of Plastic Engineering and Technology (CIPET), Indian Institute of Foreign Trade (IIFT), Asian Society for Entrepreneurship Education and Development (ASEED), Network

for Entrepreneurship Education and Development (NEED), UP Electronics Corporation, Krishak Vikas Samiti, Ghazipur, Om Gramya Sewa Shram, Gorakhpur, VIKALP, Mahila Shilp Kala Kendra, Agra, Shramik Bharti, Kanpur and other reputed from time to time.

An assistance of Rs 1.65 lakh was sanctioned to Shramik Bharti, a Kanpur based agency, for conducting three TSDPs on Chikan work. The programmes benefited 79 participants. As part of follow-up SB has tied up with SEWA, Lucknow for marketing of the produce of the trainees.

U. P. Industrial Consultants Ltd. (UPICO), Kanpur was assisted by way of grant of Rs 0.89 lakh for conducting two EDPs at Saharanpur (Carpentry) and at Aligarh (Motor winding). The programmes benefited 50 trainees (25 each).

Mahila Shilp Kala Kendra, Agra was assisted during the year by way of grant of Rs 0.60 lakh for conducting EDP on Leather Bag Manufacturing at Agra. The programme is expected to benefit about 30 participants. Institute of Entrepreneurship, Lucknow (IED) conducted 15 TSEDPs, 10 in U.P. and 5 in Uttaranchal, during the year. Total of 401 participants were trained through these programmes in both the states. Earlier, during FY 2002, the Bank had sanctioned an assistance of Rs 7.50 lakh to IED for the purpose.

MANAGEMENT DEVELOPMENT PROGRAMMES:

Small Industries Management Programme (SIMAP):

Small Industries Management Programme (SIMAP) has been conducted by premier engineering colleges of the state namely Indian Institute of Technology, Kanpur, BHU, Motilal Nehru Regional Engineering College, (MNREC) Allahabad and Indian Institute of Carpet Technology, Bhadohi.

IIT, Kanpur has been given corpus support of Rs. 20 lakh by SIDBI to conduct SIMAP, STUP and Entrepreneurship Awareness Programmes. The corpus support after renewal has been enhanced to Rs 23 lakh.

IIT, Kanpur has also been sanctioned assistance of Rs.0.70 lakh for preparing four "Case Studies", with special emphasis on SSIs, for the benefit of SIMAP participants.

IIT, Kanpur conducted an Entrepreneurship Awareness Camp and a Workshop on Cottage Scale Development during the year under Corpus support arrangement.

Skill-cum-Technology Upgradation Programme (STUP):

STUPs have so far been conducted by Institutions like IIT (K), Central Institute of Medicinal and Aromatic Plants (CIMAP), University of Roorkee, (UOR), Central Institute of Plastics Engineering and Technology, Centre for Development of Glass Industry, Firozabad (CDGI), Indian Institute of Carpet, Technology, Bhadohi, CEDTI, Gorakhpur, National Botanical Research Institute (NBRI), Lucknow.

CIMAP has been extended corpus fund support of Rs.23 lakh for conducting six STUPs per year in different parts of the country initially for a period of five years. For the intervening period when interest on the corpus assistance is made available to CIMAP, an initial support of Rs. 3 lakh was provided to CIMAP so as to ensure continuity in the programmes.

An amount of Rs.1.07 lakh has also been sanctioned to IIT, Kanpur for carrying out "Need Assessment Study" for assessing the need / demand for management development interventions for SSIs in U.P. with special emphasis on SIMAP and STUP.

An assistance of Rs 5.50 lakh has been sanctioned to Bosco Educational Development Society (BEADS) through Don Bosco Technical Institute^ Lucknow (DBTI) for conducting four skill based training programmes and < starting three new vocational training programmes.

Fragrance and Flavour Development Centre, Kannauj was extended an assistance of Rs 0.60 lakh for conducting a STUP on ' Essential Oil / Aroma Chemicals, Processing, Value addition, Fragrance & Flavour Creation for Small Scale Entrepreneurs.'

During the year CIMAP conducted six STUPs at Lucknow (50 participants), Raipur (45 participants), Dehradun (37 participants), Bangalore (28 participants), Panjee (17 participants) and Nasik (21 participants) under the corpus arrangement.

Apart from the above, IIT, Kanpur has been sanctioned additional corpus support of Rs.10 lakh for creation of SSI Cell to undertake SSI related activities apart from SIMAP and STUPs. Besides the corpus assistance, a one time grant of Rs.2 lakh has also been sanctioned to IIT, Kanpur for creation of infrastructure and carrying out SSI related activities during first year till the income from the corpus assistance is generated. It is envisaged that both SIMAP and STUP are institutionalised in the long run so that these programmes are conducted on a sustained basis for the mutual benefit of institutions and the SSIs. The Website www.smallbusinessindia.net has since been operationalised. The site has attracted over 18,000 visitors and around 4 lakh hits, both, nationally and internationally.

Quality Management

SIDBI has been sanctioning ISO 9000 awareness programmes to encourage SSI units towards quality upgradation. Programmes have been sanctioned to NPC, SISI etc. for conducting awareness programmes at Kanpur, Lucknow and Aligarh with aggregate assistance of Rs. 2.00 lakh.

Environment Management

Small Industry Service Institute (SISI), Agra has been sanctioned assistance of Rs. 0.50 lakh for organising pollution control awareness; workshop for pottery units of Khurja.

Marketing Activities:

Bhartiya Rural Integrated Development and Growth Enterprise (BRIDGE), Gorakhpur has been sanctioned assistance of Rs. 3.50 lakh for technology upgradation and marketing of terracotta products.

Grameen Crafts, a Lucknow based NGO has been sanctioned an assistance of Rs 1.60 lakh for 'Intensive Marketing Development Programme' aimed at benefiting the artisans of U.P.

CM, Indian Council for Women Entrepreneurs, and others have been given grant assistance from time to time for participation of SSIs in Exhibitions, Buyers-Sellers Meet.

Indian Council for Women Entrepreneurs (ICWE), Kanpur chapter was assisted by way of grant of Rs 20,000/- for organising 'Mahila Shilp Mela' (exhibition-cum-sale) at Kanpur. The mela was organized during October 22-23, 2002 benefiting about 50 entrepreneurs.

The encouraging response to the 'Mahila Shilp Mela, prompted ICWE to organise another exhibition-cum-sale. A grant assistance of Rs. 30,000/- was sanctioned to ICWE for the purpose.

Technology Upgradation Programme

Professional Assistance for Development Action (PRADAN), Lucknow has been sanctioned a corpus assistance of Rs. 5 lakh for technology upgradation programme for four rural leather cooperatives in the state of U.P. The programme is currently under way.

Institute of Engineering and Rural Technology Allahabad has been sanctioned assistance of Rs.2.29 lakh by way of grant for undertaking transfer of appropriate technologies in one of the four blocks of Allahabad district viz Soraon, Kgcaon, Kerchana and Shankergarh.

EDII, Lucknow was sanctioned assistance of Rs. 20,000/- for organising Training Programme on Bee Keeping and Honey Collection Technology in Ghazipur. The programme was conducted in November 1999.

Institute of Engineering and Rural Technology, Allahabad was provided assistance of Rs.3.75 lakh for setting up a stall on Rural Technology Exposition in Magh Mela ground, Allahabad during January 25 to February 19, 2000. The objective of the Exposition was to disseminate information on newer

technologies specially technologies useful for rural areas. 37 such different rural technologies were exhibited in the programme. Practical demonstration of the devices were also conducted. About 2,65,000 people visited the stall and 10% of them registered themselves for different devices.

Action Research:

Centre for Environment Education (North), Lucknow has been assisted by way of grant of Rs 1.14 lakh for undertaking Participatory Solid Waste Management Programme for 500 residents of Aashiana Residential Colony, Lucknow.

Indian Industries Association, Lucknow has been assisted by way of grant of Rs 9 lakh for setting up of Small Industries Information Centre at Lucknow.

Information Dissemination:

IEDUP is running a programme called 'Udyog Sadhana' on All India Radio (AIR) under SIDBI sponsorship. In this programme important information is provided to listeners on various aspects of SSI sector and setting up of SSI units. For the benefit of Udyog Sadhana listeners, Entrepreneurship Awareness Workshop has also been sanctioned to IEDUP.

Others:

SIDBI's Centre for Innovation and Incubation for Small Industries (SCII), Kanpur :

An assistance of Rs 435 lakh by way of grant has been sanctioned to IIT, Kanpur for establishing SCII. The assistance includes Rs 235 lakhs towards the infrastructure creation for the centre and Rs 200 lakh towards the banks contribution for the corpus of Rs 500 lakh, rest being mobilised by IIT, (K). The centre has since become operational from the temporary site.

The permanent building of the centre is structurally complete. The process of interior furnishing is to be taken during FY 2004.

Various seminars on industrial scenario, problems and solutions have been conducted by CM, ACCIUP, HBTI etc. under SIDBI sponsorship.

An assistance of Rs. 15,0007/- by way of grant was extended to CM for conducting seminar on 'Financing Schemes for SMEs. The seminar was held at Kanpur on October 04, 2002.

EDA Rural Systems have been appointed as Regional Developmental Centre for the state of U.P. to monitor and evaluate development programmes.

SIDBI has been organising various workshops, seminars, awareness programmes training programmes for different target groups viz., Industry Associations, Chambers of Commerce of U.P. (different Chapters), Bankers, Chartered Accountants etc. from time to time.

National Botanical Research Institute (NBRI), Lucknow based premier national laboratory under CSIR, was assisted by way of grant of Rs 50,0007/- for conducting a training programme on 'Dehydration of Flowers & Foliage and Floral Craft.'

Chemical Engineering Association (CEA), HBTI was sanctioned an assistance of Rs. 15,0007/- for organising a seminar on 'Environmental and Safety Aspects of Local Industries at Kanpur. The response to the seminar was encouraging. In all 31 participants attended the seminar.

A grant assistance of Rs. 10,0007/- was extended to National Botanical Research Institute, Lucknow (NBRI) for conducting a training programme on 'Dehydration of Flowers & Floral Craft' at Lucknow. The encouraging response of the participants to the training programme prompted NBRI to repeat the programme, with enhanced level of participant fee, thus reducing the support level required from the Bank. Thirty two participants were imparted training during the programme.

SIDBI has taken initiative to explore development related possibilities for:

- (i) Brass units in Moradabad through Metal Handicraft Service Centre, Moradabad and EDII
- (ii) Garhwal region through Kumaon Mandal Vikas Nigam (KMVN),
- (iii) Development of tourism through UP tourism.
- (iv) Glass industry in Ferozabad through Centre for Development of Glass Industry;
- (v) Lock industry in Aligarh through NPC etc.
- (vi) Various new initiatives are at various stages of maturity for initiating development work in the state through NGOs/Institutions. Networking process with NGOs and specialised institutions is an on-going process.

SIDBI has been organising various workshops, seminars, awareness programmes for different target groups viz., Industry Associations, Chambers of Commerce of U.P. (different Chapters), Bankers, Chartered Accountants etc. from time to time.¹

Conclusion

This chapter deals with the background and state of economy of Uttar Pradesh, financial assistance to SSI by SIDBI, overview of promotional and development initiatives of SIDBI in U.P. and their progress. The next chapter deals with the growth, development and role of Small Industries Development Bank of India (SIDBI) in the Promotion of Entrepreneurship in Uttar Pradesh (U.P.).

¹ SIDBI's Head Office, Lucknow

**SMALL INDUSTRIES DEVELOPMENT BANK
OF INDIA (SIDBI): GROWTH,
DEVELOPMENT AND ROLE IN THE
PROMOTION OF ENTREPRENEURSHIP IN
UTTAR PRADESH (U.P.)**

- ❖ Introduction
- ❖ Function of SIDBI
- ❖ Role of SIDBI
- ❖ Objectives of SIDBI
- ❖ Problems, Progress and Growth of SIDBI
- ❖ Problems and Issues of SIDBI
- ❖ Structure of SIDBI
- ❖ Conclusion

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI): GROWTH, DEVELOPMENT AND ROLE IN THE PROMOTION OF ENTREPRENEURSHIP IN UTTAR PRADESH (U.P.)

Introduction

Banking scenario has been changed rapidly since 1990. The decade of nineties has witnessed a grass root changes in the way banking business carried out in India. Anywhere banking and anytime banking has become a reality. The financial sector now operates in a more competitive environment than before and intermediates relatively range volume of international financial flows.

On the contrary, most banks have been required to provide for the decline in the market value of their investments portfolio. Thankfully one, off setting factor has been the strong pick up in the credit take off due to buoyant demand in the economy and revival of industrial activity which have resulted in substantial increase in banks core interest income.

With a view to ensuring larger flow of financial and non-financial assistance to S.S.I. the Small Industries Development Bank of India (SIDBI) was set up by the Government of India under special Act passed by Parliament in October 1989 but SIDBI has been starting the work since April 2, 1990. It is the wholly-owned subsidiary of Industrial Development Bank of India (IDBI). SIDBI became operational on April 2, 1990. SIDBI has taken over the outstanding portfolio of IDBI relating to Small Scale Sector worth over Rs. 4,000 Crore. The authorized capital of SIDBI is Rs. 250 Crore which could be increased to Rs. 1,000 Crore.

SIDBI's headquarter is situated at Lucknow (Appendix III & IV). It have five regional offices, 5 zones and 21 branch offices when it was started in different parts of India but now SIDBI has 73 Branches, 5 Regional Offices across the country.

After the establishment of Small Industries Development Bank of India (SIDBI), all duties related to small scale enterprises which are performed by Industrial Development Bank of India (IDBI) have been shifted to SIDBI.

Shareholding

The entire issued capital of Rs.450 crore has been divided into 45 crore shares of Rs.10 each. Of the total Rs.450 crore subscribed by IDBI, while setting up of SIDBI, 19.21% has been retained by it and balance 80.79% has been transferred / divested in favour of banks/ institutions/ insurance companies owned and controlled by Central Government. (Appendix V)

SIDBI has operationalised SME Fund of Rs.10,000 crore under which direct assistance is being provided at an interest rate of two percent below SIDBI's PLR.

SIDBI has been incorporated with an authorized share capital of Rs. 1,000 crore comprising equity capital of Rs. 750 crore and preference shares of Rs. 250 crore. It has been established with a issued capital of Rs. 450 crore. Entire issued capital was subscribed by IDBI. Consequent upon the SIDBI (Amendment) Act, 2000 with effect from March 27, 2000, SIDBI was delinked from IDBI and 51% of the stake held by IDBI was transferred to Public Sector Banks, the General Insurance Corporation of India, the Life Insurance Corporation of India and other institutions owned and controlled by the Central Government. GOI, vide its notification dated September 25, 2001, specified the proportion in which the stake would be divested.

SIDBI has operationalised a national level venture capital fund called SME Growth Fund of Rs.500 crore which is utilized for investing in equities of

growth sectors like life sciences, light engineering, retailing, food processing, IT and infrastructure related services.

SIDBI, in association with CIBIL, select public sector banks and an existing rating agency, has set up a specialized rating agency “SMERA” for the SME sector. SIDBI operates special schemes like Credit Linked Capital Subsidy Scheme, Credit Guarantee Scheme, etc.

SIDBI has helped a number of MFIs in developing a wide range of products as also support other service providers. SIDBI showed an excellent performance in Micro Credit operations by achieving a growth of 168 percent in sanctions and 119 percent in disbursements over the previous year.

SIDBI retained its position in the top 30 Development Banks of the World in the latest ranking of *The Banker*, London. As per May 2001 issue of *The Banker*, London, SIDBI ranked 25th both in terms of Capital and Assets.

The total income of the bank during the year 2007-08 was higher at Rs. 1638.17 crore as compared to Rs. 1187.28 crores during the previous year mainly due to growth in the overall portfolio and better pricing of loan products. The total expenditure during the year was higher at Rs. 1301.74 crores as compared to Rs. 737.39 crores during the previous year. Profit before tax for the year was Rs. 336.43 crore, down from Rs. 449.49 crore in the previous year. The net profit after tax for the year stood at Rs. 198.43 crore as against Rs. 298.10 crore in the previous year.¹

Domain of Service

The Small Scale Industries (SSIs) sector is a vibrant and dynamic sector of the Indian economy. The sector presently occupies an important place and its contribution in terms of generation of employment, output and exports is quite significant. The Small Scale Industries sector including tiny units comprises the domain of SIDBI's business. Besides, the projects in the services

¹ *SIDBI, Annual Report, 2007-08*

sector with total cost up to Rs.250 million are also taken within the area of SIDBI's operations. The Bank also finances industrial infrastructure projects for the development of SSI sector. The objectives of Government policy have been to impart vitality and growth impetus to the sector by removing bottlenecks that affect the growth potential. In the liberalized era and emerging economic scenario, the sector is assured of continued support.

SIDBI and the others banks have embraced technology right from the inception of their operation and therefore they have adapted themselves to the changes into the changes in the technology easily. Whereas the public sector banks (PSBs) and the old private sector banks have not been able to keep pace with these developments.

SIDBI is the subsidiary bank of the IDBI, has also adopted the same strategy, and SIDBI already transformed itself into a universal bank. Now the process of progeny IDBI bank merging itself with the parent IDBI is underway and is likely to be completed soon. This trend may lead logically to promote the concept of financial super market chain and making available all types of credit and non-fund facilities under one roof or specialized subsidiaries which is under one umbrella organization. There is a need to review our regulatory framework not only in the light of the global developments that have been mentioned, but also due to domestic compulsions.

SIDBI (Small Industries Development Bank of India) is now the principal financial institution and for the purpose of promotion, financing and development of small scale industries in the country. It coordinates the functions of existing institution on engaged in similar activities.

According to SIDBI has taken over the responsibility of administering Small Industries Development Fund (SIDF) and National equity fund (NEF) which were earlier administered by IDBI.

As on March 31, 2008, the bank had on its rolls a total of 911 staff comprising 728 officers, 106 class III staff and 77 Subordinate Staff. Of the staff as on March 31, 2008, 168 belonged to scheduled tribes (STs) and 97 to other backward classes (OBCs). The Staff strength was inclusive of 14 employees in Ex-servicemen and 13 employees in Physically Challenged categories. The strength of woman employees has gone up to 186 from 159 as at the end of previous year.

As of March 31, 2008 SIDBI earned net profit of Rs. 198 crore. SIDBI has helped a number of MFIs in developing a wide range of promised provider; SIDBI showed an excellence performance in micro credit opportunity to 168% in sanction & 119% in disbursements over the country.²

MISSION OF THE ORGANIZATION:

SIDBI's Commitment

SIDBI is committed to developing a strong, vibrant and responsive small-scale sector. This commitment is to be achieved through a variety of means. Principal amongst them is finance. Alongside finance, SIDBI provides appropriate support in the form of promotional and developmental services. SIDBI has been built up as a financially sound, vibrant, forward looking and technically oriented institution and, it intends to sustain this orientation in future. SIDBI intends to provide quality services to its clients, devoid of any systemic and procedural difficulties.

Operational Emphasis

SIDBI, in its operational strategy, emphasizes:

- Enhancement in the flow of financial assistance to SSIs and
- Enhancement in the capabilities of SSIs at all levels, with focus on adoption of improved and modern technology.

² *SIDBI, Annual Report, 2007-08*

The small industries sector in India is dominated by a large number of small units. These micro enterprises require special nurturing. SIDBI has been operating schemes like:

- Single Window Scheme, and
- Composite Loan Scheme.

To ensure that financial assistance is made available to such units on easy terms and with hassle-free procedures. It has been a matter of policy in SIDBI to identify the areas of gaps in credit delivery system and fill them through devising appropriate new schemes and implementing them.

Function of SIDBI

SIDBI has a certain function.

The important function of SIDBI are as follows:

- (i) SIDBI Refinance loans and advances extended by the primary lending institutions to small scale industrial units and also provide sources support to them,
- (ii) SIDBI discounts and rediscounts bills arising from sale of machinery to or manufactured by industrial units in the small-scale sector,
- (iii) SIDBI extends seeds capital / soft loan assistance under National Equity Fund, Mahila Udyam Nidhi and Mahila Vikas Nidhi and seed capital scheme through specified lending agencies,
- (iv) SIDBI grant direct assistance as well as refinance loan extended by primary lending Institution for financing export of products manufactured by industrial concerns in the small scale sector,
- (v) SIDBI provides services like leasing, factoring etc. to industrial concerns in small scale sector,

- (vi) SIDBI extends financial support to state small Industries Development Corporation (SSIDCs) for providing source raw materials to and marketing the end products of industrial units in small scale units,
- (vii) SIDBI provides support to National Small Industries Corporation (NSICs) for providing leasing, hire-purchase, and marketing support to industrial units in the small scale sector,
- (viii) Refinancing of loans & advances extended by the primary lending institution to small scale industrial unit concern and also providing resources support,
- (ix) Discounting and rediscounting of bills arising from sale of machinery to or manufactured by industrial units in the small scale sector,
- (x) Extension of seed capital/soft loan assistance under National Equity fund. **Mahila Udyam Nidhi** and **Mahila Vikas Nidhi** and seed capital schemes through specified lending agencies,
- (xi) Granting direct assistance as well as refinancing of loans extended by primary lending institution for financing export of products manufactured by industrial concern in the small scale sector, and
- (xii) Providing services like learning factoring etc. to industrial concerns in the small scale sector.

In setting up SIDBI, the intention of the Govt. of India was to ensure larger flow of financial assistance to small scale sector, SIDBI has already initiated step for technological upgradation and modernization of existing units. It is expanding the channels for marketing of products of SSI sector in internal and International market it is promoting in a big way employment - oriented industries especially in semi - urban areas to credit more

employment opportunities and thereby checking migration of rural population to urban and cosmopolitan areas.³

Role of SIDBI:

Since in inception, SIDBI has been endeavouring to meet the diverse needs of the Small and Medium Enterprises (SME) sectors through various tailor-made schemes and fulfill its vision i.e. "To emerge as a single window for meeting the financial and developmental needs of the Micro Small Medium Enterprises (MSME) sector to make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer - friendly institution and for enhancement of share-holder wealth and highest corporate values through modern technology platform.

While extending financial assistance to the small units all over the country SIDBI makes use of the existing banking and financial institutions, such as the commercial banks, cooperative banks and RRBs, SFCs and SIDCs which have vast network of branches all over the country. As many as 870 institutions are eligible for assistance from SIDBI.⁴

Role of SIDBI in Financing SSIs in U.P.:

In the northern zone, SIDBI has opened its branch offices at Uttar Pradesh (U.P.). With its tremendous potential, the U.P. offers several opportunities for the growth of the operations of SIDBI in financing the Small Scale Industries. Besides undertaking the new projects SIDBI also helps in the modernisation and technology upgradation of existing ones. In U.P. several small-scale units are operating by using obsolete technology. Their productivity and profitability may be raised through modernisation and upgradation of technology. Moreover, it helps in expansion of well-run units, diversification of these units for enhancing their

³ www.sidbi.co.in

⁴ *Report on Development Banking in India*, IBDI, Mumbai, 2004

competitiveness. Marketing is another area where the small-scale units of U.P. need special attention. This would increase their profitability.

Since SSIs units are engaged in different types of activity in U.P. they are covered by the eligible entities category of SIDBI where small and medium manufacturing units and service sector entities like hotels, hospitals, nursing homes, filling stations, retail chains, health and fitness centres, IT and IT enabled services are growing very fast. By helping the growth of all these activities, SIDBI can act as a catalyst of the development of U.P.. Further, the experience may be replicated in other small cities of U.P. and other parts of the country.

SIDBI should not be seen as a competitor but it should supplement the efforts of the State Government and other agencies, which are engaged in the development of SSIs of U.P.. SIDBI can be helpful in helping the growth of industries. Besides the direct credit Schemes, SIDBI can also provide assistance for industrial infrastructure for small units. It can also help to strengthen and foster the existing close relationship between Original Equipment Manufacturers/Sub-Assembly Manufactures and their dedicated vendors in the small scale sector through a package of financial assistance to such vendors so that their operational capabilities may be upgraded.

U.P. has a large scope for the operations of micro-finance agencies. However, the desired degree of success has not been achieved. SIDBI is one of the pioneering Micro Finance Agencies in India. SIDBI provides assistance to Micro Finance Institutions with 5 year proven track record for Micro Finance Operations along with attractive capacity building grants. A large number of households, which make parts of manufacturing units may be benefited through these Micro Finance Operations of SIDBI. This would be an indirect help in the growth of SSIs in U.P.

SIDBI is also a nodal agency for some Government sponsored schemes such as Credit Linked Capital Subsidy Scheme (CLCSS) and Technology Upgradation Fund Scheme (TUFS). By providing the benefits of these Schemes, the small-scale units of U.P. may be helped in a big way.

To conclude, it may be suggested that the Government can take full advantage of establishment of SIDBI's office at U.P. and provide all the necessary assistance to it in carrying out its operations successfully in U.P.. Since the efforts of the Government towards the development of U.P. as an industrial hub successful and the desired degree of success has eluded us. It is all the more important to involve agencies like SIDBI and assign them an increasingly greater role in the industrial, development of U.P..

Objectives of SIDBI:

Mandatory Objectives

Four basic objectives are set out in the SIDBI Charter. They are:

Financing

Promotion

- Development
- Co-ordination

For orderly growth of industry in the small-scale sector. The Charter has provided SIDBI considerable flexibility in adopting appropriate operational strategies to meet these objectives. The activities of SIDBI, as they have evolved over the period of time, now meet almost all the requirements of small scale industries which fall into a wide spectrum constituting modern and technologically superior units at one end and traditional units at the other.

Other Objectives:

- To empower the Micro, Small and Medium Enterprises (MSME) sector with a view to contributing to the process of economic growth, employment generation and balanced regional development.
- To emerge as a single window for meeting the financial and developmental needs of the MSME sector to make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer - friendly institution and for enhancement of share - holder wealth and highest corporate values through modern technology platform.

SIDBI's charter includes Financing, Promotion, Development and Co-ordination for orderly growth of Small and Medium Enterprises. The Charter has provided SIDBI considerable flexibility in adopting appropriate operational strategies to meet these objectives. The activities of SIDBI, as they have evolved over the period of time, now meet almost all the requirements of SMEs which fall into a wide spectrum constituting modern and technologically superior units at one end and traditional units at the other.

SIDBI is committed to developing a strong, vibrant and responsive small scale sector. This commitment is to be achieved through a variety of means. Principal amongst them is finance. Alongside finance, SIDBI provides appropriate support in the form of promotional and developmental services. SIDBI has been built up as a financially sound, vibrant, forward looking and technically oriented institution and, it intends to sustain this orientation in future.

Features of SIDBI:

Since 1992-93 SIDBI liberalized its term of assistance and amplified procedure with a view to widen its scope for large coverage of schemes. Some of salient features of SIDBI can be listed as follows.

- (a) SIDBI has been operating **Single Window Scheme (SWS)** which is enlarged to cover units in identified area. The extent of refinance against cash credit sanctioned by banks under SWS was raised from 50 to 70 percent.
- (b) SIDBI provide refinance facilities under **Automatic Refinance Scheme (ARS)**. The limit of term loans under ARS was initially fixed at RS. 10 lakhs but was raised later to Rs. 50 lakh and the extent of refinance has been raised from 75 to 90 percent.
- (c) SIDBI has introduced equipment financing for assistance to existing well-run small-scale units for technology up gradation modernization.
- (d) SIDBI has introduced refinance scheme for resettlement of voluntary retired worker of **National Textile Corporation (NTC)** and help them to buy up to four looms.
- (e) SIDBI has set up a venture capital fund to assist entrepreneurs with in a short span of time; SIDBI has emerged as a major player in the field of finance for the small scale sector.⁵

TABLE 5.1
SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2008
[Rs. Crore]

Sr. No.	Particulars	Quarter ended 31.3.2008	Quarter ended 31.3.2007	Year ended 31.3.2008 (Audited)	Year ended 31.3.2007 (Audited)	Consolidated Results	
						Year ended 31.03.2008	Year ended 31.03.2007
1	Income from Operations	317	315	1623	1167	1635	1168
2	Other Income	6	1	15	20	15	30

⁵ www.sidbi.co.in

	Total Income [1+2]	323	316	1638	1187	1650	1198
3	Interest Expenses	231	142	873	585	873	585
4	(a) Establishment Expenses[Staff Cost]	(6)	42	40	89	42	91
	(b) Other Expenses	17	19	379	54	380	55
	Total Expenditure [3+4]	242	203	1292	728	1295	731
5	Depreciation	1	3	10	10	10	10
6	Profit before Tax (1+2-3-4-5)	80	110	336	449	345	457
7	Provision for Income Tax, FBT and Deferred Tax Adjustment	38	41	138	151	141	154
8	Net Profit	42	69	198	298	204	303
9	Paid up Share Capital [comprising equity shares having face value of Rs.10/- each]	450	450	450	450	450	450
10	Reserves (excluding Revaluation Reserves)	-	-	4379	4259	4396	4272
11	Earning Per Share (Rs.)	0.93	1.53	4.41	6.63	4.53	6.73
12	Shareholding	No. of Shares			% of Shareholding		
	Financial Institutions	28,900,000			6.42		
	Insurance Companies	96,450,000			21.43		
	PSU Banks	324,650,000			72.15		
	Total	450,000,000			100.00		

SEGMENT REPORTING:

Rs. Crore

Segment	Segment Revenues/ Results		Segment	Other Information	
	FY 2008	FY 2007		FY 2008	FY 2007
Segment Revenue			Segment Assets		
Direct Finance	536	468	Direct Finance	7537	6180
Indirect Finance	627	399	Indirect Finance	12742	8892
Treasury	475	320	Treasury	3021	3820
Total	1,638	1,187	Total	23300	18892
Segment Results			Unallocated Assets		
				588	929
Direct Finance	231	160	Total	23888	19821
Indirect Finance	200	187	Segment Liabilities		
Treasury	293	158	Direct Finance	5056	4349
Total	724	505	Indirect Finance	10283	6683
Unallocated Expenses	388	56	Treasury	2331	2947
Operating profit			Total		

	336	449		17670	13979
Income Tax	138	151	Unallocated Liabilities	957	701
Net profit	198	298	Total	18627	14680

Source: www.sidbi.co.in

The table 5.1 shows the financial position of SIDBI here made comparison of financial result between the year 2007 and 2008. The table shows that the total income in 2008 is greater than 2007. In the year ended 31 December 2008. It net profit during financial year 2007-08 was around 198 crore against Rs. 298.00 crores during previous year 2006-07

Problems and Issues of SIDBI:

Because of their unique characteristics, SIDBI face a variety of problems. In this section, the problems are examined in connection with two stages of environmental performance improvement.

Environmental performance improvement can be divided into two major stages, namely, awareness raising and implementation. The awareness raising is significant as it relates to the establishment of a solid foundation for SIDBI to move towards environmental improvement.

Stage I: Awareness Raising

Lack of information on the cost-benefits of improving environmental performance basically, a fundamental obstacle to improving environmental performance of the SME sector is a lack of knowledge and information concerning environmental issues. SIDBI generally have a perception that the only driving force to improve environmental performance is legislative compliance. Moreover, SIDBI tend to believe that their processes have little or no impact on the environment due to their small-scale production. This perception is derived from the fact that they have limited information on the

operational losses in their production processes. Hence, this mental model prevents a great number of SME's from realizing the hidden costs of inefficiencies in production. Accordingly, the SIDBI keep running their businesses as usual and resist change.

In order to motivate the SME's to improve their environmental performance critical information on cost-benefits can illustrate the benefits of environmental improvement and help to develop a positive attitude regarding environmental improvement. However, it seems that such information is not widely disseminated in the SME sector.

Weak External Pressures/Incentives

Environmental policy development in various countries began with command-and-control (CAC) measures. Accordingly, regulatory instruments were applied to force polluters to comply with regulations and standards. However, due to the large number and distribution of SME's, the command and control approach became less efficient due to resource limitations in terms of the monitoring and inspecting of personnel and budget allocation. While public pressure regarding environmental conservation and requirements by global markets on environmental standards increases, most companies are carefully watching the International Standard Organization (ISO) certification and the introduction of Environmental Management System (EMS) within their corporate and manufacturing facilities. Most industries, particularly those producing goods for export, are focusing on developing environmentally-friendly products. However, most SME's, unlike large-scale industries, are not fully aware of the trend in the international market since they are often isolated from it.

In addition, voluntary approaches, such as ISO 14000, green labeling, and clean technology have become other means of management of natural resources and the environment as the market created was stimulated by

consumer demand. However, compared to the SME sector, large firms are more active in taking voluntary initiatives.

STAGE II: IMPLEMENTATION

Lack of Internal Capacity

Even though a number of SME's are moving towards better environmental performance, they are limited from taking action. The major obstacles are their weak capacity and limited resources in terms of:

Financial resources

One of the major obstacles is the limited financial resources of SIDBI since the majority of the SME sector is pursuing a survival business strategy. They suffer from financial problems, such as late payment of bills and lack of access to loan financing, they find it difficult to adapt to the changing markets and they lack the capability to attract new financial resources. As a consequence, the adoption of full-scaled EMS, such as the ISO 14001 model, or the installation of pollution abatement technologies, seems to be too costly for SIDBI. Moreover, investment capital for major process improvement is another issue of concern since accessibility to financial resources is a major problem for a number of SME's as they tend to lack self-capacity to attract funding from local, regional and national financial institutions and also from international institutions and organizations. The problem has a supply and demand component. From the supply side, SIDBI face difficulties in obtaining loans due to the banks' perceptions of high associated risks. On the demand side, SIDBI often have inadequate financial statements and lack accounting records, business plans and the necessary knowledge to present their business case in a realistic and favorable light to financial sources. In order to address this problem, there is, therefore, a need for better information flows among the financial providers, the SME's and the concerned government agencies.

Human resources

Lack of trained and qualified human resources is another barrier that requires improvement. Generally, human resource allocation in the SME sector is limited to essential business functions, such as technical, accountancy, sales and marketing. In most cases, there are no environmental personnel in the SIDBI to undertake related tasks effectively.

Technologies

Utilization of outdated technology, as a result of limited capital investment, makes the SIDBI less competitive. The majority of SME's is relying on outdated technologies that cause pollution and are inefficient in production. In addition, inappropriate pollution abatement technologies result in inefficiencies in pollution treatment.

R&D activities

R&D activities are limited in the SIDBI. This inhibits innovative improvement within the sector. One of the major reasons for the poor performance is technological obsolescence coupled with information deficiency and poor management practices. Thus, SIDBI lack technical capacity in these enterprises to identify access, adapt and adopt better technologies and operating practices to improve their environmental performance.

Business-as-usual operation and management

Normally, SIDBI functions in a business-as-usual mode. They are not fully aware of the emergence of a new business environment. For example, non-tariff barriers, new trade and technology. The nature of the SIDBI establishment is a major problem affecting environmental improvement of SIDBI in terms of infrastructure as the physical distribution of SIDBI tends to be haphazard. Many of SME's are located in concentrated commercial and residential areas, thus, they are unable to expand their sites and install pollution

treatment facilities. Moreover, the scattered distribution prohibits the development of shared treatment facilities, while the stand-alone treatment system of SIDBI is not in an economy of scale to operate efficiently.

Weak Supporting Framework

Despite obstructive structures in the awareness-raising and implementation stages, the framework support of SIDBI is weak. Also, the various programmes supporting the performance of SIDBI have not helped SIDBI effectively.

Weak institutional arrangement of supporting SIDBI

Linkages among agencies involved with the SIDBI development have not been strengthened. The network of institutions that is supposed to deliver supporting programmes to SIDBI development is fragmented and cannot offer the corresponding services effectively.

Lack of SIDBI focused programmes

Many developing countries previously pursued a strategy of accelerated industrialization based on large-scaled enterprises. Accordingly, development programmes and investment schemes were established in light of large industry promotion while there are limited focused programmes that are devoted to SIDBI development.

Gaps between international support and local implementation. Even though the environmental improvement of SIDBI has drawn the attention of international organizations, the international support for SIDBI development cannot reach local SME's effectively. The major barriers include language and the adjustment of the programmes to the local context. SIDBI have been struggling with these problems for many years and their challenge becomes more severe when they wish to improve their environmental performance.

SIDBI Plan to Develop Alternate Market for Small Scale Industries:

At a time when focus of attention is on ICE Stock information, communication and entertainment the Small Industries Development Bank of India is making effort to develop alternative market for small scale Industries (SSIs) in the new millennium.

The whole idea of SIDBI's present exercise is to bring about greater incorporation of SSI sector and encourage growth limited companies, which are in better position to access funds in the form of equity debt: "SSIs are characterized by a very low equity base and, therefore, any improvement in equity capital will boost their capacity to withstand competition in the market source added. The report deal with the changes required in the setting up of existing capital market to make them accessible and suitable to SSIs and development of a alternative markets for equity and debt tailored for the Small -Scale Sector. These recommendations will also be useful for the Union. Finance Ministry for framing suitable policies and bringing about modification in the existing policies relevant to SSIs sector. According to available statistics, a large majority SSI units (nearly 80% are proprietorship, while 17 are partnership only 2% comprising about 60,000 units) are limited companies. Further, tentative estimates, indicate that even if these units raised 50j percent of their capital requirement from the market, the size would be of order of Rs. 5000 crores.⁶

Assistance Provided by SIDBI

SIDBI provides assistance mainly to the small scale units through the channel of assistance. SIDBI provide financial assistance to small scale industries have three major dimension.

- 1- Indirect Assistance to Primary Lending Institution (PLIs).
- 2- Direct Assistance to small scale units and

⁶ www.sidbi.co.in

3- Development and Support Services (DSS)

1. Indirect Assistance:

SIDBI's scheme of indirect assistance credit to small scale industries through a large number of 913 PLIs (Primary lending institutions) spread across the country with the branch network of over 65000. The assistance is provided by way of refinance, bills rediscounting and resource support in form of short term loan/ line of credit in lieu of refinance etc.

2. Direct Assistance:

The objective behind SIDBI direct assistance has been to supplement the efforts of PLIs by identifying the gaps in existing creding delivery mechanisms for small scale industries. Direct assistance provided under several tailor made scheme to Small Scale Industries Development Bank of India. 41 regional branch offices spread across the country.

During 1997-98 sanctioned under direct finance product increased by, 2.7% to Rs 2655 crore forming 35.5% of total sanctioned for assets creation while disbursement accounting marginally by 2% to Rs. 7%, crores accounting for 33.8% of assistance for asset creation. Sanctioned rupee and foreign currency loans increased .by 79.2% and 262.6% respectively to Rs. 895 crore and Rs. 306 crore. Sanctioned under the equity type assistance schemes viz. National Equity Fund (NEF), seed capital, SUMFEX and Mahila Udyam Nidhi amounted Rs. 3 crore recording a growth of 36.6 percent.

4. Development and Support Services:

The banks extends development and support services in the form of loan and grants to different agencies working for the promotion and development of Small Scale Industries or Tiny Industries over the year. The Initiative of SIDBI under promotional and developmental activities have crystallized in to the following areas.

- (i) Enterprise promotion with emphasis on rural industrialisation.
- (ii) Human Resource Development (HRD) to suit the Small Scale Industries sector needs.
- (iii) Technology upgradation
- (iv) Quantity and Environment Management.
- (v) Marketing and promotion, and
- (vi) Information Dissemination.

Financial Aspects of Small Scale Industries and the role of SIDBI in Uttar Pradesh

The development of Small-Scale Industries (SSIs) is slow because of inadequate and delayed supply of credit. So, finance is the most important input in the industry for meeting various expenses. Most of the entrepreneurs of SSIs are economically weak. Therefore, they are poorly placed in the matter of capital formation as they are not in the position to plough back much into the business because of limited profits".

The small-scale sector of U.P. both modern and traditional is in crying need of finance. The people of U.P. do not have the necessary capital to start a new unit with their own funds and they have to look for other sources of financing their units.

The structure of capital in a SSI unit is simple. "A number of industries commence production without any capital worth mentioning. Even in cases where there is capital it is invariably contributed by the Entrepreneurs or by money borrowed from relatives and shown as capital". However, this does not imply that one can run SSI units without capital.

The fixed capital and working capital are two types of capital that are required by SSIs. The fixed capital which are met by long-term loans are needed because for meeting the expenses of acquisition of land and building and installation of plant and machinery whereas the working capital are met

by short term advances need for purchase of raw material and to meet other current expenses such as fuel, wages, marketing and production, etc.

The fixed capital requirement are met by State Government (under the State Aid to Industries Act/Rule), State Small Industries Corporation (SSICs), State Industrial Development Corporation (SIDCs), Commercial Bank, National Small Industries Corporation (NSICs), State Industrial Investment Corporation, Cooperative Banks, indigenous Bank and moneylenders. The working capital is mainly provided by commercial banks.

If we discuss directly about the credit to SSI sector, at the end of March 2005, 536 specialized SSI branches of commercial banks were operational. The credit outstanding by Public Sector Banks (PSBs) to SSIs stood at Rs. 67,634 crore at the end March 2005. PSBs were advised to operationalised at least one specialized SSIs branch in every district and centre having cluster of SSIs units. The credit outstanding of private Banks to SSIs stood at Rs. 8,668 crore as at the end of March 2005 but their share in Net Bank Credit has come down. Foreign Bank credit to SSIs stood at Rs. 6,914 crore at the year ended March 2005. The flow of credit to SSI sector by public, private sector and foreign bank is given below:

Sources of Financing of SSIs in U.P.

The various financial institutions meet the financial requirements of small-scale industries in UP. Almost all the banks and financial institutions are working in U.P and provide financial assistance to SSI units. Commercial Banks, U.P Financial Corporations (UPFC), National Small Industries Corporation (NSIC), U.P Small Industrial Corporations (UPSIC), U.P Industrial Investment Corporation etc. are providing direct financial help. SIDBI also provides financial help to SSIs of U.P. For the development of the micro, small and medium entrepreneurs there

are various institutions and organizations, which are promoted by the Central Government and State Government are as -

U.P Financial Corporation:

State Financial Corporation (SFC) was established under the Central Act, viz, the State Financial Corporation Act, 1951 with the basic objective of promoting and developing small-scale industry in the state with a special focus on spreading industrial culture in the rural, semi-urban and backward areas of the state.

UP Financial Corporation caters to the requirement of the entrepreneurs. It provides term loan to small and medium scale industry for creation of assets viz, land, buildings and machinery. It also provides working capital term loan to the industrial units on competitive terms.

The Corporation also provides non-fund based services like merchant banking, underwriting of public issues, project counseling, bill discounting, leasing and hire purchase. It is operating a number of financial assistance schemes for the benefit of entrepreneurs such as assistance for marketing activities equipment finance, special schemes for assistance to ex-service men, single window scheme etc. U.P Financial Corporation provides maximum loan up to Rs. 200 Lakhs. The interest on loan ranges between 13.75% to 16.% depending upon size of the loan and term.

U.P Industrial Development Corporations (UPIDCs):

State Industrial Development Corporations -were established under the Companies Act 1956 as wholly owned undertaking of the State Governments. UPIDCs provide assistance to small-scale sector byway of term loan, subscription to equity and promotional services.

UP Industrial Investment Corporations (UPIICs):

Under the Companies Act of 1956 the State Industrial Investment Corporations were established. SIICs also provide assistance for the development of SSI sector of UP.

National Small Industries Corporations:

The National Small Industries Corporations, a Government of India undertaking, has been setup with the specific objective of developing small Industries in the country. It aids development of small scale industries supply to the party on hire purchase terms. Machines, both foreign and indigenous, can be had from this source on a security deposit ranging upto 20% of the cost of the machines.

Apart from these National and state level institutions, there are various exclusive agencies, which assist the growth of the small-scale industries of the state. Prominent among them are the State Small Industries Development Corporations (SSIDC), District Industries Centres (DIG), etc. The various terms of assistance rendered by SSIDCs and DIG to the SSI sector of the UP are:

- (a) Supply of machinery on higher purchase basis;
- (b) Procurement and distribution of raw materials;
- (c) Securing contracts from Government stores/purchasing agencies;
- (d) Provision of technical and consultancy services;
- (e) Marketing assistance etc.

Commercial Banks:

Commercial banks are playing an important role in the deployment of credit to various sectors including SSI sector. The commercial banks have indeed formed the backbone of the financial system in the country. These banks can be broadly divided into three categories viz. public sector banks, private sector banks and foreign banks and have been playing a dominant

role in the mobilization of public savings and credit to various sectors of the economy.

Commercial banks were advised to make concerted efforts to provide credit cover, on an average to atleast 5 new tiny, small and medium enterprises at each of their semiurban/urban branches every year. They were further advised to formulate a comprehensive and more liberal policy relating to advances to SME sector.

In U.P, commercial banks are playing an important role in the deployment of credit to various sector including SSI sector. As far as U.P. is concerned some of the commercial banks provide financial assistance to Small Scale Sector of U.P.. These banks include Gramin Bank, Canara Bank and State Bank of India etc.

(a) *Gramin Bank*: In U.P. Gramin Bank provides financial assistance to SSIs of U.P.District for the development of SSIs. This bank provides short-term loan to small farmers and entrepreneurs for setting up an unit.

(b) *Lead Bank Scheme*: U.P. endowed with rich natural resources, with industrious and progressive nature of the farmers, was allotted to Canara Bank where it had been entrusted with all the responsibilities of a lead Bank. Canara Bank, the lead bank, started functioning in Aligarh District by opening its first branch on 12 April 1971. Under the scheme this bank was allotted 18 districts in UP including, Agra, Etah and Aligarh. Its two fold objectives in the district were massive mobilization of rural deposits and stepping up of bank's lending to the weaker sections in the district.

(c) *State Bank of India (SBI)*: Recently State Bank of India (SBI) started an Equity Fund Scheme for small-scale industry to assist entrepreneurs setting up new small-scale industrial units in need of

equity support through interest free loans repayable on soft terms. The entrepreneurs eligible for assistance are those financial under the banks entrepreneurs scheme and other educated persons who under-go training under their entrepreneurial Development Programme and are eligible for credit guarantee cover of DICs assistance under the schemes given by the way of interest free loans to the maximum of 25% of the total cost of the scheme which should not be less than Rs. 25000. Preference is given to units in western UP areas, export oriented units, tiny sector units in rural areas and units producing import substitute items.

- (d) *Regional Rural Banks*: Regional Rural Banks (RRBs) were established since 1976 under the provisions of the Regional Rural Banks Act, 1975 with a view to developing the rural economy as well as to creating an alternative channel to 'Co-operative Credit Structure' in order to ensure sufficient institutional credit for rural and agriculture sector. These banks were also intended to mobilize rural savings and channelize them for supporting the productive activities in the rural areas.

Besides, having these banks there are some schemes, which are introduced by the RBI for the development of SSI units.

Reserve Bank of India guidelines for SSI lending :

The RBI has prepared a consolidated set of guidelines for SSI sector lending. Finance provided to SSI falls into two categories

- (i) Direct finance provided to SSI units and
- (ii) Indirect finance provided to industrial units.

Direct finance to the categories of SSI is included-

- (a) Artisans (irrespective of their locations)

- (b) Cottage/village industries in villages and small towns with a population not exceeding 50,000 persons involving utilization of locally available natural resources and / or human skills where individual credit requirements do not exceed Rs. 25000,
- (c) Other small-scale industries that are engaged in manufacture, processing and preservation of goods.

Indirect finance to small-scale industry sector includes:

- (a) Credit to agencies involved in assisting the decentralized sectors in the supply of input and marketing of output of artisans, village and cottage industry,
- (b) Credit to government sponsored corporation organization providing the funds to the weaker sections in the priority sector, and
- (c) Loan for setting up industrial estate margin money.

Introduction of New Schemes:

During the year 2005-06, several new credit products were launched with the objective of meeting the varied financial needs of the SME customers. These are given below:

- *Short-term resource support to SME intermediaries*- A new product was desired for financial intermediaries like Non-Banking Financial Corporations (NBFCs) and factoring Companies. To augment their fund base for further lending to the SME units.
- *Inland Letter of Credit Scheme*- The Scheme was launched on an all India basis to provide domestic letter of credit facilities to SIDBI's customers.
- *Privileged Customer Scheme*- An innovative scheme for extending annual credit limits to existing good customers of the Bank for meeting their unforeseen bonafide business expenditure.

- *SME IT loan*- A new scheme was launched to provide small loans to SME units for producing IT products.
- In order to double, the flow of credit to SSI sector from Rs. 67600 crores in 2004-2005 to Rs. 1,35,200 crore by 2009-10 i.e. in a period of 5 years, public sector banks were advised to fix their own target for funding SSIs.
- In order to reduce the cost of guarantee to the weaker segments or the borrowers particularly tiny units, the Credit Guarantee Funds Trust for small industry was advised to reduce the one time guarantee fee from 2.5% to 1.5% for all.
- A Council for Advancement of Rural Technology (CART) was set up in Oct. 1982 to provide the necessary technical input to the rural industry.
- Under Union Budget 2006-07, the ministry of SSIs identified a further 180 items for dereservation in order to encourage technology upgradation and vertical expansion of units.
- The National Manufacturing Competitiveness Council finalized a 5 years national manufacturing competitiveness programme for the development of SSI units.
- The support under Technology Upgradation Funds Scheme was enhanced from Rs. 435 crore to Rs. 535 Crore for next year.
- The Commercial banks were advised to make concerted efforts to provide credit cover on an average to at least 5 new tiny, small and medium enterprises at each of their semi-urban / urban branches every year.⁷

Structure of SIDBI

SIDBI attaches a great deal of importance to the cornerstones of good corporate governance particularly the clear division of responsibility,

⁷ *SIDBI, Annual Report, 2005-05*

appropriate checks and balances, The policy and strategic decisions, monitoring of performance and other important matters are dealt with by the Bank at the level of Board of Directors. As regard operational matters, the bank has decentralized the process of decision-making with adequate delegation of powers. SIDBI is operating through its head-office at Lucknow, with a network of 6 regional and sixty-three branch offices in the country. Since its inception, SIDBI is doing well in the area of financing SSIs.

Small Industries Development Bank of India Act provides for a fifteen-member board of directors. Out of these eight members or directors are appointed by the Central Government, three directors are nominated by the three largest share holding institutions, banks and insurance companies owned and controlled by Central Government, and four are elected by the public share holders.

The Bank has constituted subcommittees of the Board namely Executive Committee (EC), Audit Committee (AC) and Empowered Committee on Micro Finance (ECM). Besides, there are committees of the officials of the Bank viz. Central, Zonal Branch Credit, settlement and promotion and development proposals. Credit proposals and other operational matters are considered by the EC. The AC in addition to overseeing the functioning of the Audit Department and reviewing its major observations and also provide guidance is matters relating to finalisation of accounts of Bank and ECM guiding the Bank in matters pertaining to micro finance.⁸

Importance of SIDBI as a source of financing small scale industries:

SIDBI provide financial assistance in the form of:

⁸ SIDBI, Various Annual Report

1. Direct Assistance:

SIDBI has evolved itself to meet the various requirements of the Small & Medium Enterprises (SME) sector by directly offering various financial products and services. Some of the major schemes of SIDBI under direct assistance are:

A. Term Loan Assistance

Term Loans are provided for i) setting up new projects and for technology up gradation, diversification, expansion, etc. of existing SMEs, ii) service sector entities like hotels, tourism related activities, entertainment parks, hospitals/nursing homes, health & fitness centres, filling stations, retail Chains, logistic support services, IT & IT enabled services, etc. and iii) infrastructure development and up gradation.

Resource Support

The Bank provides resource support to institutions/Non-Banking Finance companies (NBFCs) to facilitate channelising assistance to a large number of SME units and infrastructure projects having linkages to SMEs.

B. Working Capital Type Support

Working Capital Term Loan (WCTL)

The objective of the Scheme is to help SME units in starting their commercial production without difficulty and during their up scaling of operations. All the assisted units of SIDBI covered under the scheme are expected eventually to switch over to commercial banks within a reasonable time frame (say, 3-5 years) for meeting their regular working capital requirements.

Scheme for Small Enterprises Financial Centres (SEFC)

In order to meet the complete financial requirements of SME customers, particularly working capital, the Scheme for Small Enterprises Financial Centres (SEFC) Scheme has been operationalised to take up co-

financing or exclusive financing of term loan requirements of SME units along with the,commercial banks and the working capital requirements of these units will be met by the banks in identified clusters. The branches of SIDBI in the clusters are designated as SEFCs. Under the Scheme, SIDBI has entered into Memorandum of Understanding with 15 commercial banks for joint/co-financing of projects including working capital and non-fund based facilities for the SME sector.

C. Support against Delayed Payments

Receivable Finance Scheme (RFS)

Receivable Finance Scheme (RFS) is intended mitigate the problem of delayed payments to SME sellers/eligible service providers in respect of their sales/services rendered to large purchaser companies. Under the scheme, the Bank fixes limits to well- performing purchaser companies with sub-limits to their SME units. The bank offers bills discounting facilities to SMEs/eligible service sector units supplying components, parts, sub-assemblies, services, etc. so as to realise their sale precedes quickly. The Scheme also enables manufactures-sellers in SME / service sector to offer deferred payment terms for credit sales and realise sale proceeds by discounting bills of exchange / promissory notes arising out of such sales. The Bank also offers invoice-discounting facilities to the suppliers of large corporates.

Seller-wise Receivable Finance Scheme (SRFS)

Whereas under RFS, the facility is given only in respect of a single purchaser from the SMEs, under Seller-wise Receivable Finance Scheme (SRFS), the SME units' receivables from other purchasers are also covered to improve their cash flow and liquidity by providing them with immediate financial assistance against the goods sold and/or services rendered to

purchaser companies in the public /private sector with satisfactory market standing.

D. Foreign Currency Loans

To enhance the capabilities of export oriented units, SIDBI offer pre-shipment credit to SME units in foreign currencies like US Dollar, Euro, etc. Foreign currency assistance is also extended by way of term loans for importing plant and machinery or equipments, etc. The related schemes are briefly given below:

Pre-Shipment Credit in Foreign Currency / Rupee to enable small and medium enterprises (SME) / Export Houses (EH) / Trading Houses (TH), etc. to raise finance to fulfill their export commitments.

The assistance may be availed in designated foreign currencies or in rupee.

- Post-Shipment Credit by way of negotiation/purchase/discount of export bills of eligible entities which have been sanctioned limits by SIDBI. This facility can be availed either in foreign currency or in rupee.
- Foreign Currency Term, Loan Scheme for setting up new projects as for expansion, diversification, technology upgradation and modernization of existing units.
- Opening of Foreign Letters of Credit (FLO) to enable small, and medium enterprises (SMEs), import capital equipment for new projects, expansion, diversion, technology upgradation and modernization. FLCs are also opened to enable import of raw materials, consumables etc. by SME units and Export/Trading Houses sourcing their requirements for export from SMEs.
- Booking of Forward Contracts to provide SIDBI, clients with the facility of hedging of foreign exchange risks related to their import , export transactions.

- Line of Credit in Foreign Currency to Commercial Banks for providing resource support to institutions / banks for extending export and domestic credit to SME units / EH / TH, etc.

Strategic Business Initiatives:

Opening of Inland LC (INLC): To enable SMEs to acquire capital equipment for new projects, expansion, diversification, technology upgradation and modernisation, Inland Letter of Credit (INLC) facility has been introduced. INLCs are also opened to enable purchase for raw materials, consumables etc. by SME units.

Privileged Customer Scheme (PCS): Privileged Customer Scheme (PCS) is an innovative scheme for extending annual credit limits to existing good customers of the Bank for meeting their unforeseen bonafide business expenditure.

Short term Resource Support to SME intermediaries: A new MIBOR based short term resource support product is designed for financial intermediaries like NBFCs and Factoring Companies to augment their fund base for further on-lending to the SME units.

SME IT Loans: A new Scheme has been launched to provide small loans to SME units for procuring products.

Vendor Development Scheme (VDS): In order to enable the SME vendors of Original Equipments Manufacturers (OEMs)/large corporates to upscale their production, VDS provides:

- Finance for capital expenditure for expansion, modernisation, and diversification of the facilities of SMEs.
- Working capital Term Loan to SMEs for meeting their working capital or margin needs, execution of bulk orders, deposits for contracts, marketing related expenses, setting up franchise, brand building, etc.
- Customized invoice discounting / bill discounting facility.

Cluster-based Finance: The Bank has taken up cluster development as part of the development of the sector. A Memorandum of Understanding (MOU) has been signed with Infrastructure Leasing & Financial Services (ILFS) to undertake development of clusters jointly. Under the arrangement, the Bank, would among other things, co-finance the infrastructure of the cluster and finance / arrange finance for the individual SSI / SME units of the cluster.

Channel Arrangements: In view of its limited physical infrastructure and greater thrust on retail SME business, the Bank has explored various arrangements like sourcing, referral and co-branding with reputed NBFCs and private sector banks. The arrangements are expected to facilitate SIDBI's retail business growth in coming years.

Assistance for Industrial Infrastructure Financial assistance is extended for strengthening of existing industrial clusters / estates by providing increase amenities for smooth working of the industrial units. Setting up of warehousing facilities for SSI products / units. Facilities for providing support services viz., common utility centres such as convention halls, trade centres, raw material depots, warehousing, tool rooms / testing centres, housing for industrial workers, etc. are also eligible for assistance from the Bank.

Lines of Credit in favour of :

- State Financial Corporations
- State Industrial Development Corporations
- State Small Industries Development Corporations for supplying raw material and extending marketing support to SSI units.
- Factoring Companies (to factor receivables of SMEs)
- National Small Industries Corporation Ltd.

SIDBI as the Nodal / Implementing Agency

Credit Linked Capital Subsidy Scheme (CLCSS): In order to facilitate technology upgradation in the SSI sector, the Government of India introduced Credit Linked Capital Subsidy Scheme (CLCS) Scheme by providing 15% capital Subsidy to SSI units for induction of proven technologists / approved products / sub - sectors. Subsidy will be limited to 15% of the purchase price of eligible plant and machinery with a ceiling on loan of Rs. 10 million under the Scheme.

Technology Upgradation Fund Scheme (TUFS): For modernisation and technology upgradation in textile and jute industry. The Scheme provides for an interest subsidy of 5% or upfront capital subsidy of 15% under CLCSS (TUFS).

Development of Leather Sector Scheme (IDLSS): The Scheme is primarily aimed at enabling existing tanneries, footwear components and leather products units to upgrade their technology, leading to productivity gains, right sizing of capacity, cost cutting, design and development for attaining global competitiveness. The financial assistance under the Scheme will be in the form of an investment grant to the extent of 30% of cost of plant and machinery for SSI and 20% of cost of plant and machinery for other units (i.e. non-SSI units) subjects to a ceiling of Rs.50 lakh for technology upgradation /modernisation and/or expansion.

Scheme for Integrated Infrastructural Development (IID): In order to promote SSI and Tiny Sector clusters and create employment opportunities, the Government of India introduced Integrated Infrastructural Development (IID) Scheme to provide common facilities and technological back-up services in selected centres and also to create/upgrade infrastructural facilities in new/existing industrial centres. Under the Scheme, project cost is not to exceed Rs.50 million, out of which Government of India gives grant of 40% (ceiling - Rs.20 million). For North-Eastern States, States of J

& K, Himachal Pradesh, Uttarakhand and Sikkim, Government of India Grant is 80% of project cost (ceiling - Rs.40 million).

World Bank Project: The main objectives of the Project are to solve both demand side and supply side credit problems by enhancing the credit absorption capacity of the SMEs on the demand side and credit delivery capacity of the financial intermediaries on the supply side. The project is expected to give multiple benefits to the SME sector like increased lending to SMEs, growth in investment, output and employment, improved credit information on SMEs, better risk monitoring, cluster development, etc.

Micro Credit: To meet the micro credit demand, SIDBI constituted a specialized department called SIDBI Foundation for Micro Credit (SFMC) to create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs) from the informal and formal sectors to provide micro finance services to the poor, especially women. SFMC provides a complete range of financial and non-financial services such as loan funds; grant support, equity and institution building support to the retailing MFIs so as to facilitate their development into financially sustainable entities, besides developing a network of service providers for the sector. Over the years, SIDBI strengthened more than 100 MFIs in terms of operational and financial sustainability in dispensing micro credit effectively, benefiting more than 30 lakh persons, mainly women.

Indirect Assistance:

The indirect assistance of the Bank consists of refinance and resource support in the form of short-term loans/line of credit to Primary Lending Institutions (PLIs) comprising State Level Financial Institutions and banks having a large network of over 950 PLIs with a branch network of over 65,000 branches.

Refinance: The main objective of SIDBI's refinance schemes has been to facilitate the flow of credit in an increasing measure to SSI units by suitably augmenting the resources of the PLIs. The Bank provides refinance to PLIs against the long term loans granted by them for:

- Setting up new small scale units or expansion, modernisation, diversification, etc of existing units and for all activities eligible for assistance under the scheme including professional practice/ consultancy venture and service sector units such as tourism related activities / hospitals / nursing / homes / polyclinics / hotels / restaurants / marketing and industrial infrastructural projects.
- SIDBI also extends financial support (Short Term Loans) to scheduled commercial banks in respect of their outstanding portfolio relating to SSI sector against which no financial support has been availed from other institutions.

Rediscounting: In order to help the machinery manufactures in the SSI sector and to maximise their sales by offering differed payment credit to the prospective purchaser-users, the Bank operates a Bills Rediscounting Scheme. Under the scheme, bills arising out of sale/requisition of machinery on differed payment terms for setting up of new SSI units • as also for expansion, diversification, modernisation, replacement, addition for balancing equipment, etc. and discounted by scheduled commercial banks are rediscounted by SIDBI.

Equity Support: National Equity Fund:

The objective of the National Equity Fund (NEF) Scheme is to provide equity type support to entrepreneurs for setting up new projects in tiny/small scale sector, for undertaking expansion, modernisation, technology upgradation and diversification and also for rehabilitation of viable sick units in SSI sector which also fulfill the specified eligibility

criteria, irrespective of location. Assistance from NEF helps the small-scale units in strengthening their equity base and thereby improving their acceptability for term financing by primary lending institutions (PLIs).

Promotional and Developmental Schemes of SIDBI:

As the apex developmental financial institutions, SIDBI undertakes various Promotional and Developmental (P&D) activities for the SME sector in India designed to achieve two prime objectives of national importance.

Employment generation in the SME sector, thereby alleviating poverty through its select programmes, such as, Rural Programme (RIP), Vocational Training Programme (VTP) and Strengthening the existing SME sector to face the emerging challenges of growing internationalisation and intensifying competition through its select programmes, such as, Cluster Development Programme (CDP), Skill-cum-Technology Upgradation Programme (STUP), Environmental Initiatives, Marketing Assistance and Information Dissemination. Some of the thrust areas of P&D activities are:

Rural Industries Programme (RIP): Through Rural Industries Programme (RIP), the Bank aims at creation of rural employment through enterprise promotion in rural and semi-urban areas, thereby addressing problems such as rural unemployment urban mitigation, under utilisation of know how and latent rural resources, etc. The programme provides comprehensive Business Development Services for the rural areas which include identifying and motivating rural entrepreneurs, identification of viable ventures based on local skills and resources, training, appropriate technology linkages and finance tie-up with the formal banking sector.

Entrepreneurship Development Programme (EDP):

The Bank's Entrepreneurship Development Programme (EDPs) aim at promotion of self-employed ventures capable of generating employment targeting opportunities, especially less privileged sections of the society like women and SC/ST. While established EDP institutions such as RUDSETI, Ujire and Entrepreneurship Development Institute of India (EDII), Ahmedabad etc. are provided annual report for conducting General EDPs, Product/Process specific EDPs, trainers training programme, course for Development Consultants, NGO Bankers Interfaces etc., the stand-alone EDPs conducted by upcoming NGOs/other agencies are also supported by the Bank, on a selective basis. The EDPs are conducted in the cluster or for a heterogeneous group of entrepreneurs.

Strengthening SME Sector:

With a view to strengthening the SME sector, the Bank supports reputed management / technology institutions, for offering management development programmes, viz., Skill-cum- Technology Upgradation Programme and Small Industries Management Programme. While the former programme aims at technology aims at enhancing technology profile of SME units, SIMAP targets qualified unemployed as well as industry-sponsored candidates with the overall objective of providing competent managers to the SME sector.

Skill-cum-Technology Upgradation Programme (STUP):

Skill-cum-Technology Upgradation Programme (STUPs) are structured to improve the performance of existing SME units by developing/strengthening managerial skills and technical competence of the entrepreneurs and senior executives of small enterprises. The underlying intention is to enable the participant entrepreneurs/senior executives to assess their existing performance level and determine ways of enhancing it.

It also aims at creating awareness amongst the SME units on process improvements, technological developments, etc and inducing the units to upgrade their technological level.

Marketing Initiatives: As an important ingredient of its P & D initiatives, the Bank supports various marketing events with the intention of providing appropriate marketing linkages to the trainees of EDPs and RIP, etc.

Cluster Development Programmes (CDPs): Cluster Development Programme (CDP) is a comprehensive package of business development services, such as, technology upgradation, capacity building, environment, marketing, credit, quality, WTO, information dissemination, etc. Under CDP, clusters with homogenous production activities are adopted so as to have the maximum impact and economies of scale. The main objectives of CDP are:

- Creation of awareness on new product/ process technologies.
- Skill upgradation
- Development of technology related common facilities for the cluster
- Provision of unit-specific modernisation package.
- Energy conservation and introduction of environment friendly technologies and
- Quality upgradation in terms of systems and products.

National Programme on Innovation and Incubation

In order to infuse technological advancement in SME sector, SIDBI has initiated a National Programme on Innovation and Incubation for SME sector under which two incubation centres have been supported at IIT Kanpur, and BIT Mesra, Ranchi. Other Promotional and Development Schemes of SIDBI are:

SIDBI Venture Capital Limited (SVCL):

In order to provide venture capital support to innovative, knowledge based first generation entrepreneurs having neither equity nor collateral, SVCL - an asset management company - is established as a wholly owned subsidiary of SIDBI, for managing venture capital funds sponsored by SIDBI. At present, it manages the National Venture Fund for Software and Information Technology Industry (NFSIT): set up in 1999 and the SME Growth Fund, launched in October 2004. The Growth Fund has the main focus on growth sectors of the economy, such as, life sciences, retailing, light engineering, food processing, information technology, infrastructure related to services like healthcare, logistics and distribution etc.

Credit Guarantee Fund Trust for Small Industries (CGTSI):

The Credit Guarantee Fund Trust for Small Industries (CGTSI) was set up in July 2000 for operating the Credit Guarantee Scheme for small industries. The Trust helps small enterprises in accessing institutional credit, both term loan and working capital, for their viable projects without facing the difficulties of arranging collateral security and/or third party guarantee. CGTSI extends guarantee cover up to 75 per cent of the collateral free credits extended by member lending institutions to small enterprises, subject to maximum credit of Rs. 2.5 million per borrower.

SME Rating Agency of India Ltd.

With a view to assessing the credit risk of SMEs independently, which will enhance the bankers' confidence in lending to the sector, SIDBI in association with Dun & Bradstreet, CIBIL and select banks, established, for the first time in India, rating agency for the SME sector called SMERA.

India SME Technology Services Ltd. (ISTL):

SIDBI set up a company in the name of India SME Technology transfer, joint ventures, business collaboration, finance syndication and attendant support services in order to enhance market competitiveness of small and medium enterprises and promote sustainable development.

- (a) Factoring companies, viz., Canbank Factors Ltd. And SBI Factors Ltd.
- (b) Northeastern Development Finance Corporation Ltd.
- (c) IDBI Bank Ltd
- (d) Indian Institute of Entrepreneurship, Guwahati.

Performance Highlights and working Result of SIDBI:

SIDBI play a very important role in financing small scale industries in a developing country like India.

During the FY 2008, SIDBI recorded better operational performance and strengthened its financial fundamentals. The Bank recorded the highest ever sanctions and disbursements during the year with sanctions increasing by 45.6 percent and disbursements by 47.5 percent over the previous year. While the Refinance support, which is a key function of Bank, was enhanced by 76.4 percent, the Direct Credit flow to MSMEs by SIDBI increased by 18.0 percent during the year under review. The aggregate outstanding portfolio of the Bank crossed the Rs.20,000 crore mark for the first time and increased by 26.2 percent to Rs.20,226 crore as at March 31,2008. As a result, the total assets of the Bank increased sizeably to Rs.23,887 crore at the end of FY 2008. During the year, with focused

attention on business growth and better pricing of loan products, total income of the Bank increased by 38% to Rs.1,638 crore from Rs.1,187 crore during FY 2007. However, due to treatment of earlier / current year's cumulative contribution to the corpus of CGTMSE of Rs.317 crore as expenditure and providing for interest expenditure of Rs.174 xiii crore on SIDBI Bonds held by Govt. of India which was waived in the previous year, net profit for the current year was lower at Rs.198 crore as against Rs.298 crore in the previous year. The total Reserves and Funds of the Bank increased from Rs.4,691 crore as on March 31, 2007 to Rs.4,810 crore as on March 31, 2008 and the Capital Adequacy Ratio was higher at 41.7 percent. Micro Finance, by reaching out to the poor, has emerged as a powerful tool for inclusive growth, poverty alleviation and women empowerment. At the same time, it is also a business opportunity for enlarging the credit portfolio of the Bank. The total credit sanctions under Micro finance during FY 2008 surged by 93.8 percent to Rs. 745.95 crore and disbursements by almost 100 percent to Rs.695.80 crore. The Micro credit outstanding as on March 31, 2008 was Rs.950.38 crore which showed a higher growth of 73.3 percent over the previous year. The Bank's Micro Finance support so far has benefitted more than 50 lakh persons, mostly women.⁹

The Bank extends loans and grants to various agencies working for the promotion and development of SSIs and tiny industries under its Promotional and Development Assistance Scheme. The aggregate sanctions

⁹ *SIDBI, Annual Report, 2007*

and disbursement under various promotional and development schemes aggregated Rs.355.53 crore and Rs.2646.7 crore respectively during 2005-06.

Conclusion

This chapter is a study of the growth, development and role of Small Industries Development Bank of India (SIDBI) in the Promotion of Entrepreneurship in Uttar Pradesh (U.P.). It also highlights the functions and objectives of SIDBI and various schemes implemented by SIDBI for the promotion of MSMEs and entrepreneurship.

The next chapter deals with the problems and prospects of development of entrepreneurship and MSMEs in Uttar Pradesh (U.P.).

PROBLEMS AND PROSPECTS OF SMALL SCALE INDUSTRIES

- ❖ Introduction
- ❖ General Problems of Small Scale Industries (SSIs)
- ❖ Problems Specific to U.P.
- ❖ Conclusion

PROBLEMS AND PROSPECTS OF SMALL SCALE INDUSTRIES

Introduction

The Small Scale Industries (SSIs) have played an important role in the economic development of our country. SSIs constitute an important and crucial segment of the industrial sector. This has been acknowledged by the Government of India by the high priority it has accorded to the SSI sector. The Reserve Bank of India has also bestowed the status of priority sector to SSI lending by banks and various guidelines have been issued in this regard from time to time. But there have been some problems, which disturb the growth of small scale and cottage industries. Several internal and external factors have put considerable pressure on the performance of the SSIs, resulting in a number of them becoming sick. The incidence of sickness in SSI sector is showing an increasing trend and a large number of SSI units are identified as sick.

Now, it is the time to look into the operative problems which the entrepreneur has to contend with, the problems relate to such aspects are finance and machinery, marketing and sales, raw materials and availability of skilled labour etc.

At the outset it would suffice to state here that an overwhelming majority of entrepreneurs don't have problems pertaining to availability of machines, raw materials, consumption of their manufactured good in the market and availability of skilled personnel. Although a substantial percentage of them are in need of financial resources, nevertheless they are busy pursuing that their enterprises.

The problems can, no doubt be covered under some broad heading like problems of finance, marketing, infrastructure, technology etc.¹

General Problems of Small Scale Industries (SSIs)

1. Problem of Finance:

Finance is a key input of production, distribution and development. But considering the vital role, finance plays in accelerating the process of small scale industries development, the total amount of loan sanctioned to it forms a very insignificant part of the total loan to Indian Industry because of inadequate credit of the viability of the unit is affected greatly and its result in their sickness and ultimate closure. The flow of credit to the small scale sector is affected because of a weak financial base, which eventually prompts the entrepreneurs to bring in funds by way of loan rather than capital, improper maintenance of books of account, inability to provide collateral security, delay in payments by the larger units, lack of appreciation of financial data required by banks or financial institution etc., the administrative cost of lending to small borrowers, high mortality rate or sickness amongst the SSI units, the concessional interest rate does not motivate the financial institutions intrinsically to invest in SSI unit etc.

2. Marketing problem:

Marketing is an important factor for the survival and growth of firms. It is the place where goods and services are bought and sold. In India, in spite of the vast domestic market, marketing remains a problem area for the small-scale sectors. Marketing has been identified as an important aspect affecting small-scale industries performance. Besides finance, marketing is the key element which, if not pragmatically assessed leads to the closure of the units.

¹ Palival R.C., (2005), *Small Industry Development in India*, Anmol Publications Pvt. Ltd., Delhi.

The main problems of marketing in the Indian small scale sectors are product quality, service to customers, cost effectiveness, consistency and reliability adherence to delivery schedules, lack of proper market information and the mindset of entrepreneurs.

Moreover, entrepreneurs are facing critical problems at the time of planning for an investment due to unawareness of proper planning lack of knowledge of market survey, selection of appropriate type of plant and machinery, etc. Also some units in the small-scale sectors are totally dependent on government purchase.

3. Problem of Infrastructure:

One of the most important components of industrial development is infrastructure. Infrastructure bottleneck retard the growth of industries in a region. And small-scale units are being constrained by inadequate physical infrastructure in which most severe constraint is power. In many states of India problem of power affects the growth of SSIs. Similarly the problems of transportation and communication infrastructure disturb the growth of SSIs.

4. Problem of Management:

The inefficient management is very inherent in the SSI because in most of the cases the entrepreneur looks after various causes ranging from accounting to marketing as well as production. There is no division of labour. The most of the industrial units fall sick because of poor management, dissention within management.

5. Problem of Technology:

For small-scale sector units, technology is also an area of challenge. Inadequate attention to technology upgradation has acted as a hindrance on the way of modernization of SSIs factors. Most of the units are still carrying on with obsolete technology.

The present barriers for technological upgradation are:

- There is little motivation among small-scale units or entrepreneurs to create in-house research development cells.
- Aspiring entrepreneurs often do not pay attention to including levels of communication through faster technological growth.
- Funding institutions often fail to provide credit support to technological innovation.
- Unwillingness to change product lines or bring changes in product dimension with the help of technical support and faster technological growth to meet changing market demand.
- There is at present, no effective mechanism for helping the small scale sector to forecast technological change which is vital for economizing the use of productive resources like the raw materials, man power and core technological application.

6. Other Problems:

In addition to these problems other problems may be delayed payment by the large scale units to SSIs, problem of raw material i.e. inadequate irregular supply of raw material, lack of organized market channels, unorganised nature of operations, imperfect knowledge of market operations, problem of sickness, inadequate data base for the small scale sector, burden of local taxes, competition from large scale industries, nonavailability of cheap power etc. So, these are some of the problems, which directly affect the growth, and development of SSIs.

Problems Specific to U.P.:

1. Inadequate finance and credit: The lack of finance and credit is the main problem for the development of small-scale industries in U.P.. The position of cottage and village industries is even worse. In U.P., problem of finance is a major problem for the development of SSI units because the banks and the

financial institutions both were unable to meet the long requirement of the small units. So, this indirectly retards their growth.

2. Problem of Marketing: The small scale and cottage industries continue to face a number of problems in the field of marketing. In case of U.P., marketing is a severe problem for some SSIs, because they do not have adequate knowledge about the active market. And most of the small units do not try to reach their product to the active market.

3. Problem of power: One of the main problems faced by the SSIs of U.P. is problem of power. So here the most severe constraint is power. At reasonable rate, capacity generation is out of question for small units. Therefore they depend on State Electricity Board (SEB) for meeting their requirement, which do not supply adequate power. And many SSIs of this district are forced to make private deal with electricity official due to rampant corruption.

4. Problem of Management: The management problem is one of the most common problems found in every SSI unit of U.P. This is because entrepreneur is all in one and there is no division of labour. And due to this problem, it directly affects the development of SSIs.

5. Cost of Production is High: In U.P., cost of production is high due to obsolete technology used in the production process.

6. Problem of raw material: The problem of raw material is one of the major problems for the majority of small-scale units. Because all the things that are required for manufacturing process are not easily available in the state. So, this disturbs the development of SSIs.

7. Lack of skilled personnel: Sometime lack of skilled personnel creates the problem for the development of SSIs. In this district most of the personnel who indulge in the production process are unskilled. This is because there is a dearth of skilled personnel suited to the requirement of SSIs.

8. Problem of Increasing Competition: Small-Scale Industries in the U.P. faces increasing competition because of cheap products brought by the wholesaler from other parts of the country.

9. Under utilization of capacity: According to the report of SIDBI on the All India Census of Small Scale industries, which shows substantial under-utilization of capacity in small-scale industries, which is a serious problem.

10. Lack of Research and Development Facilities: In case of U.P., due to financial constraint in SSIs, there are no Research and Development facilities. Therefore innovation is usually absent in the SSIs.

11. Improper assistance as well as guidance from government and other organizations: SSIs do not get proper assistance as well as guidance from the Government and other organizations due to their indifferent attitude towards the SSIs sector in the UP.

12. Child Labour: Because of lack of education and over-population most of poor families surrender their children's childhood to the darkness of SSIs. Child labour means cheap labour, the young even the very young are often the most employable. Child labour is a glaring feature of the SSIs of U.P. More than 50,000 children do most of the polishing and packing job.

13. Problem of registration: One of the important problems of SSI is related to Registration. A small-scale industry, after getting the approval of the Industries Department for establishment, is granted a temporary license. Permanent registration is granted only after the unit launched begins production. But, the SSIs are not granted permanent registration even after one or two years of production. As a result, they are unable to sell their goods outside the state and avail of concessional facilities.

14. Problem of Standardization: Those industrial units, which are engaged in the manufacture of plastic, polythene, textile goods, hosiery, medicine goods

etc. face the problem of standardization. As a result of lack of this facility in U.P., they are unable to market their products outside the state of U.P.

Moreover entrepreneurs are facing critical problems at the time of planning for investment due to awareness of proper planning, lack of knowledge of market survey, selection of appropriate, type of plant and machineries etc.

The Government from time to time has adopted various schemes through institutional sources by providing marketing assistance to lessen these problems. In spite of these, the situation with respect to finance, marketing, and infrastructure etc. problems do not seem to have disappeared.

Table 6.1

Showing Major Handicraft Clusters of Uttar Pradesh (U.P.)

S.No	Districts	Major Crafts	No. of Units	Rank	No. of Artisans	Rank
1	Agra	Stoneware, Leather Goods	8107	12	41509	10
2	Allahabad	Carpet weaving	10366	9	43432	8
3	Aligarh	Brassware	5706	14	23706	16
4	Barabanki	Embroidery	4061	20	10286	20
5	Bareilly	Zari	9435	11	40710	11
6	Bhadohi	Carpet weaving	35741	2	104896	4
7	Blundshahr	Zari, Stoneware	10356	10	50194	6
8	Bijnore	Textile, Printing	4340	19	21346	17
9	Firozabad	Glassware	5008	16	20356	18
10	Ghaziabad	Zari, Clay ware	4922	17	23907	14

11	Gorakhpur	Clay/Stoneware	4775	8	19389	19
12	Jaunpur	Carpet weaving	11173	8	28034	13
13	Lucknow	Embroidery, Zari	15095	6	50049	7
14	Meerut	Chapels, Zari	7779	13	42311	9
15	Mirzapur	Carpet weaving	31695	3	144862	2
16	Moradabad	Metal ware	12125	7	50769	5
17	Saharanpur	Wood ware	2662	21	10110	21
18	Shajahanpur	Carpet, Zari	5201	15	23802	15
19	Unnao	Embroidery	15364	5	31448	12
20	Varanasi	Bleaching, Dying, Printing	51878	1	250702	1
21	Others	Miscellaneous	28115	4	135711	3

Source: Directorate of Industries, Uttar Pradesh, Kanpur, 2004-05.

Table 6.1 shows major handicraft clusters of Uttar Pradesh (U.P.) District Varanasi has hugest number of units i.e. 51878 engaged in Bleaching, Dying and Printing and 250702 artisans. It has been ranked one in terms of numbers of units and number of artisans, whereas, district Bhadohi is ranked two in terms of number of units and ranked for in terms of number of artisans. District Saharanpur is famous for woodware. It has lowest number of units and artisans i.e. 2662 and 10110 respectively. It has been ranked 21 both in terms of number of units and artisans. The other measure handicraft cluster of U.P. are engaged in Stoneware, Leather goods, Carpet weaving, Brassware, Embroidery, Zari, Textile, Printing, Glassware, Chaples, Metalware, Woodware and Bleaching etc.

Table 6.2

Showing Growth Performance of SMEs in India

Year	Number of Units (in Rs. Lakhs)	Growth (%)	Production at Current Prices (in Rs. Crore)	Growth (%)	Employment in million	Growth (%)
1980-81	8.7		28100		71.0	
1981-82	9.6	10.34	32600	16.01	75	5.63
1982-83	10.6	10.42	35000	7.36	79	5.33
1983-84	11.6	9.43	41600	18.86	84.2	6.58
1984-85	12.4	6.90	50500	21.39	90	6.89
1985-86	13.5	8.87	61200	21.19	96	6.67
1986-87	14.6	8.15	72300	18.14	101.4	5.63
1987-88	15.8	8.22	87300	20.75	107	5.52
1988-89	17.1	8.23	106400	21.88	113	5.61
1989-90	18.2	6.43	132300	24.34	119.6	5.84
1990-91	67.9	273.08	78802	-40.44	158.3	32.36
1991-92	70.6	3.98	80615	2.30	165.9	4.80
1992-93	73.5	4.11	84413	4.71	174.8	5.36
1993-94	76.5	4.08	98796	17.04	182.6	4.46
1994-95	79.6	4.05	122154	23.64	191.4	4.82
1995-96	82.8	4.02	147712	20.92	197.9	3.40
1996-97	86.2	4.11	167805	13.60	205.9	4.04

1997-98	89.7	4.06	187217	11.57	213.2	3.55
1998-99	93.4	4.12	210454	12.41	220.6	3.47
1999-00	97.2	4.07	233760	11.07	229.1	3.85
2000-01	101.1	4.01	261297	11.78	238.7	4.19
2001-02	105.2	4.06	282270	8.03	249.3	4.44
2002-03	109.5	4.09	314850	11.54	260.2	4.37
2003-04	113.9	4.02	364547	15.78	271.4	4.30
2004-05	118.6	4.13	429796	17.90	282.6	4.13
2005-06	123.4	4.05	497842	15.83	294.9	4.35
2006-07	128.4	4.05	587196	17.95	312.5	5.97

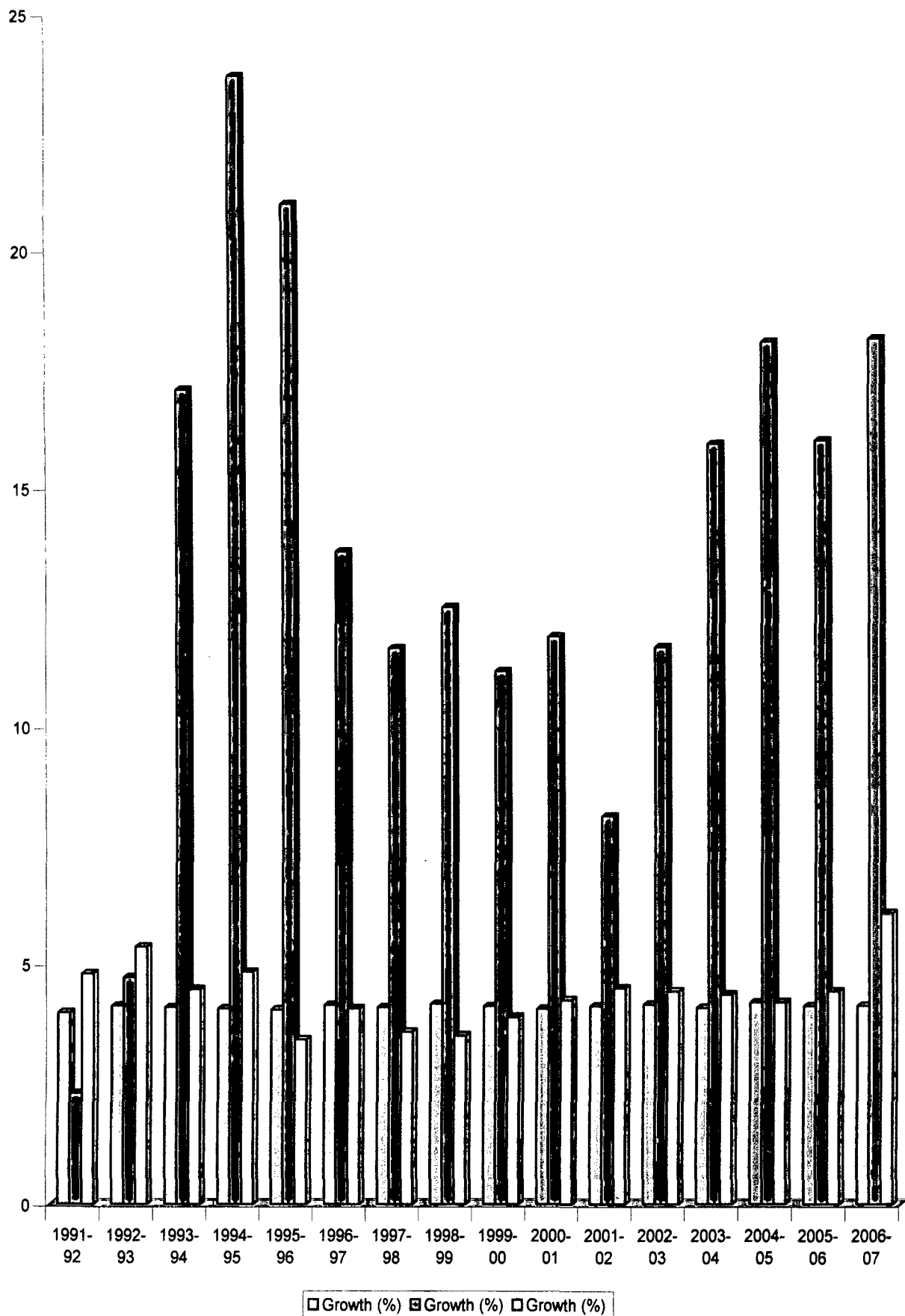
Source : 1. Economic Survey, Ministry of Finance, Government of India,
2007-08 & 1990-91.

2. Handbook of Statistics on India Economy, RBI, 2007-08.

Notes : Growth (%) = Percentage Change Over Previous Year.

Table 6.2 shows number of units, production and employment and its percentage growth, generated by SMEs in India. The table shows that the employment generated by SMEs in India increased from 71.0 million persons in 1980-81 to 312.5 million persons in 2006-07 at annual growth rate of 6.04 percent compounded over 27 years. The table 6.2 also reveals that the number of person employed in SMEs increased to 197.9 million in 1995-96 as against 71 million in 1980-81 and increased to 312.5 million in 2006-07. The growth rate of person employed in SMEs sector is relatively higher before 1990-91. This may be due to the declined in the growth in number of units during post 1991 period or the reduction may be due to the technological advancement in the sector that result reduction in the employment of human workforce. The number of units of SMEs in India has been increased from 8.7 lacks in 1980-81

Graph 6.1 showing percentage growth performance of SMEs in India
(Source: Table 6.2)



to 128.4 in 2006-07. The year 1990-91 has the highest percentage growth i.e. 273.08 in number of units of SMEs, which may be due to the liberalization of India economy. While production at current prices has been increased from Rs. 28100 crores in 19980-81 to Rs. 587196 crores in 2006. In the year 1990-91 production at current prices record a negative growth of -40.44 percent which may be due to increased global competition because of the liberalization.

Future Prospects of Small Scale Industries in India

The number of units in SSI sector is estimated to have increased to 128.40 lakh units at the end of March 2007 as compared to 8.7 lakh units at end March 1981, recording an increase of 4.05 percent over previous year. Employment in the sector is 312.5 million at end March 2006, indicating an increase of 5.97 percent over previous year. Similarly export from SSI sector is also increased. So during last four to five years we saw a great growth and development in SSI sector. Similarly if we discuss about the future prospect of SSI sector, definite improvement has been shown. Government of India announces various schemes and has taken various steps for the development of SSIs:

- Union Finance Minister has launched rating agency in the year 2005 i.e. the SME Rating Agency of India Ltd. (SMERA) to provide rating that are comprehensive, transparent and reliable and which would enable the rated units to borrow at competitive rate of interest.
- The SIDBI and Infrastructure Leasing and Financial Service Limited (IL & FS) have joined hands with a view to address the existing gap in the infrastructure facilities for the SME units.
- The Government of India set up various agencies and provides services for the development of SSIs like the Khadi and Village Industries Commission, All India Handloom and Handicraft Board, DICs, NSICs

etc. These agencies provide good concession like those in the field of excise duties on their product.

- The Government also helps for skill formation and technological upgradation. The Government provides finance to SSIs through its various organizations.

Small Scale Sector has played a significant role in the robust development of the country during the past 50 years by addressing multifarious issue of entrepreneurship, employment, industrialization, regions imbalances and export competitiveness. Government has laid stress on technological upgradation, modernization, infrastructural arrangement including connectivity and technological transfer for the small scale industries.

With the development and growth of the economy, the importance of SMEs is going further up in terms of creation of employment and balanced regional growth. It would also act as a catalyst for further industrial development in view of the forward and backward linkages. With the support from various agencies national as well as international, the Kaleidoscope of the sector is bound to change for the better.

After independence, various industrial policies were adopted from time to time for the rapid industrial development of the state. But these policies were not much successful. Therefore, some years back government introduced new industrial policy of the state i.e. Industrial Policy Reduction, 1997 with a view to create a strong industrial base and employment opportunities. The new industrial policy is to give special attention to the following areas in the process of industrialization:

- Development of local skill and entrepreneurial abilities.
- Development of women entrepreneurs.
- Creation of maximum -employment opportunities for local people.
- Development of food processing industry.

- Growth of export oriented units.
- Promotion of rural non-farm sector.
- Balanced regional development within the state giving special attention to less developed areas.
- Revival of sick units.
- Development and promotion of village and small-scale services and business enterprises.
- Establishment of medium and large-scale industries in public, private, joint and assisted sector to create an industrial base, offering large scale opportunities in multi directions through backward and forward linkages.

These efforts are expected to provide necessary fillip for pushing up industrial growth of the state to a considerable extent in the near future.

Future Prospects of Small Scale Industries in Uttar Pradesh (U.P.)

Uttar Pradesh (U.P.) is well known industrial State in India. The State has made a significant headway in industrial development. The industries include manufacturing of building, fitting materials, electrical equipment, light engineering, carpets and other metal products. The Industrial policy of the Government to emphasis and develop small and tiny industrial units particularly in rural areas. But the district is still lagging far behind many other states/districts as far as industrial development is concerned. With the onset of economic reforms the focus has broadly shifted to these parts of the country to bear the fruits of industrialization. So, small-scale industries will have to play a significant role in the industrial development of the district. Though the Industrial Policy of 1991 was not much successful, the new industrial policy was started with a promise for adopting a smooth and rapid industrialization in the State.

The new industrial policies introduced by both Central and State Government, the future prospects of SSIs in U.P. seems to be quite bright. The Central government has also made provision for tax concession to the newly developed industries in a backward state like UP., which has brightened the scope for the promotion and development of SSI of U.P.²

The Government of India also announces various incentives to newly developed small units. Through the Pradhan Mantri Rozgar Yojana (PMRY), the Government of India provides various types of help to poor people to establish an industrial unit in a district. Recently state government has also made special provision for financial support, data bank for the small scale industries of the state which has brightened the prospects of the development of SSIs in UP.

Thus in view of the current economic reforms, the prospect of SSIs is quite high. But in the ultimate analysis many more things also need to be improved like law and order situation, finance problem, marketing problem etc which will create a conducive environment for the industrial development of the U.P.. Moreover, SSIs should be promoted based on locally available resources for which local entrepreneurs should come forward and participate actively in the industrialization process of the U.P. Finally, it is observed that in view of the current situation prevailing in the U.P. the current economic reforms has not created much impact in the process of industrialization of the district. But keeping a positive frame of mind and the prospects of SSI are very bright, provided an investment friendly climate is created in the U.P.

² Ministry of MSME, *Micro, Small and Medium Enterprises in India, An Overview*, Govt. of India, New Delhi.

Table 6.3**Showing Growth Performance of SMEs in Uttar Pradesh**

Year	Number of Units	Growth (%)	Production (in Rs. Crore)	Growth (%)	Employment	Growth (%)
1980-81	7953		94		75543	
1981-82	12530	57.55	241	156.38	77332	2.37
1982-83	13611	8.63	263	9.13	84004	8.63
1983-84	13810	1.46	265	0.76	75000	-10.72
1984-85	14863	7.62	297	12.08	70607	-5.86
1985-86	16584	11.58	321	8.08	87074	23.32
Quinquennial CAGR	-	6.70	-	7.20	-	0.64
1986-87	18893	13.92	366	14.02	94465	8.49
1987-88	20875	10.49	404	10.38	98164	3.92
1988-89	23150	10.90	448	10.89	112178	14.28
1989-90	26039	12.48	504	12.50	132433	18.06
1990-91	30248	16.16	258.12	-48.79	148968	12.49
Quinquennial CAGR	-	12.33	-	-4.66	-	12.87
1991-92	33048	9.26	347.11	34.48	137647	-7.60
1992-93	32807	-0.73	448.99	29.35	117240	-14.83
1993-94	32808	0.00	484.24	7.85	112652	-3.91

1994-95	6033	-81.61	321.94	-33.52	28229	-74.94
1995-96	29627	391.08	512.16	59.09	81453	-188.54
Quinquennial CAGR	-	-17.40	-	4.55	-	-21.91
1996-97	30155	1.78	581.61	13.56	95001	16.63
1997-98	30630	1.58	1212.41	108.46	80132	-15.65
1998-99	30134	-1.62	1436.92	18.52	74347	-7.22
1999-00	32212	6.90	1373.62	-4.41	76671	3.13
2000-01	31023	-3.69	675.56	-50.82	78901	2.91
Quinquennial CAGR	-	1.08	-	4.33	-	-4.07
2001-02	29246	-5.73	635.04	-6.00	97155	23.14
2002-03	30361	3.81	620.32	-2.32	112802	16.11
2003-04	30454	0.31	383	-38.26	117564	4.22
2004-05	30402	-0.17	431.25	12.60	121102	3.01
2005-06	30282	-0.39	372.71	13.57	125611	3.72
Quinquennial CAGR	-	-0.71	-	-13.32	-	6.02
2006-07	28487	-5.93	944.08	153.30	120876	-3.77

Source : Director of Industries, Uttar Pradesh 2007-08.

Notes : 1. Quinquennial refers to a period of 5 years.

2. CAGR = Compound Average Growth Rate.

3. Growth (%) = Percentage Change Over Previous Year.

Graph 6.2 showing percentage growth performance of SMEs in Uttar Pradesh (Source: Table 6.3)

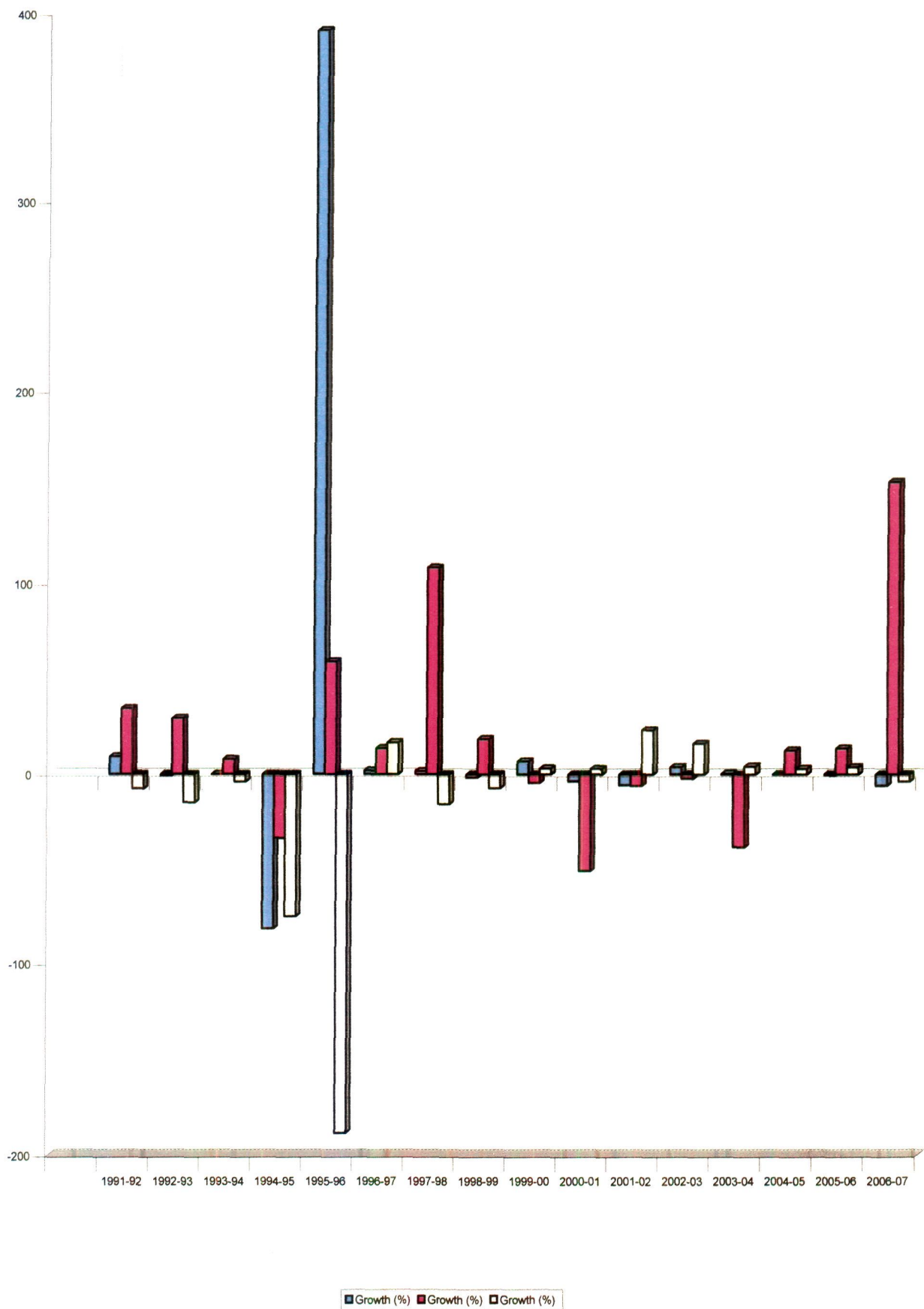


Table 6.3 shows number of units, production and employment and its percentage growth generated by SMEs in Uttar Pradesh. The table revealed that the employment generated by SMEs in Uttar Pradesh increased from 75543 persons in 1980-81 to 120876 persons in 2006-07. The table 6.3 also reveals that the number of person employed in SMEs increased to 81453 persons in 1995-96 as against 75543 persons in 1980-81 and increased to 120876 persons in 2006-07. The growth rate of person employed in SMEs sector is relatively higher before 1990-91 after which it shows a negative growth up to 1998-99. The year 2001-02 recorded 23.14 percent growth over previous year but it again start decreasing and reached to -3.77 persons in the year 2006-07. This may be due to the technological advancement in the sector that result reduction in the employment of labour. The number of units of SMEs in Uttar Pradesh has been increased from 7953 units in 1980-81 to 28487 units in 2006-07. The year 1995-96 has the highest percentage growth i.e. 391.08 in number of units of SMEs, which may be due to the liberalization, while production at current prices has been increased from Rs. 94 crores in 19980-81 to Rs. 944.08 crores in 2006-07. In the year 2000-01 production at current prices record a highest negative growth of -50.82 percent. Form the anlaysis of the above table it is reveled that the percentage growth in number of units of SMEs and the percentage growth in employment is not consistent after 1991-92 which may be due to increased competition because of globalization.

Table 6.4
Showing New Initiatives for SSI Sector
Schemes for Mitigating the Problems of the SSI Sector

S. No.	Problem	Schemes operated by SIDBI
1.	Delayed Payment of Bills	Direct Discounting of Bills (Components) Scheme

		<ul style="list-style-type: none"> • Direct Discounting of Bills (Equipment) Scheme • Direct Factoring Services • Bills Rediscounting Scheme (Equipment) • Bills Rediscounting Scheme Against Inland Supply Bills of SSI • Invoice Discounting Scheme
2.	Obsolescence of Technology	Technology Development and Modernization Fund (TDMF) Scheme (both direct and indirect assistance)
		<ul style="list-style-type: none"> • ISO 9000 Scheme (both direct and indirect assistance)
		<ul style="list-style-type: none"> • Technology Up gradation Fund Scheme for Textile Industry (both direct and indirect assistance)
		<ul style="list-style-type: none"> • Tannery Modernization Fund Scheme (both direct and indirect assistance)
3.	Working Capital Availability	Single Window Scheme Through Primary Composite Loan Scheme Lending Institutions

		<ul style="list-style-type: none"> • Working Capital Term Loan Direct Assistance
		<ul style="list-style-type: none"> • Short Term Loan
4.	Marketing Inadequacies	Scheme for Financing Activities Relating to Marketing of SSI products
5.	Lack of Suitable Infrastructure	Scheme of Direct Assistance for Development of Industrial Infrastructure for SSI Sector
		<ul style="list-style-type: none"> • Scheme of Integrated Infrastructural Development (IID)
6.	Insufficient Export Credit	Export Credit
		<ul style="list-style-type: none"> • Pre-Shipment Credit in Foreign Currency • Scheme for Export Bills Financing • Rupee Pre-Shipment/Post-Shipment Credit • Foreign Letters of Credit
7.	Venture Capital Availability	Venture Capital Scheme

8.	Human Resources Development	<ul style="list-style-type: none"> • Entrepreneurship Development Programmes • Small Industries Management Programme • Skill-cum-Technology Upgradation Programme
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New Initiatives of SIDBI:

Two Subsidiaries viz. SIDBI Venture Capital Limited and SIDBI Trustee Company Limited formed to oversee **Venture Capital**.

Technology Bureau for Small Enterprise formed to oversee Technology Transfer, Match making Services, Finance Syndication and facilitating Joint Ventures. Marketing Finance & Development Department to set up Marketing Development Assistance Fund

- International Finance Department
- International Co-operation Division
- Foundation for Micro Credit³

Conclusion

This chapter deals with the problems and prospects of development of entrepreneurship and MSMEs in Uttar Pradesh (U.P.). The chapter highlights the general problems of small scale industries (SSIs), problems specific to U.P., future prospects of small scale industries in India, future prospects of small scale industries in U.P. industrial policy regarding SSIs and objectives of small scale industry in tenth five years plan 2002-2007. The next chapter deals with the analysis and interpretation of data and critically evaluate the Role of SIDBI in the Promotion of Entrepreneurship in U.P.

³ www.sidbi.co.in

STATISTICAL ANALYSIS AND INTERPRETATION

- ❖ Analysis and Interpretation:
- ❖ Testing/Verification of Hypotheses
- ❖ Conclusion

STATISTICAL ANALYSIS AND INTERPRETATION

Analysis and Interpretation

Keeping in view the objectives of the study, opinions of Entrepreneurs, Micro, Small and Medium Enterprises (MSMEs) and SIDBI Employees regarding Role of SIDBI in the Promotion of Entrepreneurship in U.P. has been presented and analysed in Table 7.1. analysis has been made by applying suitable statistical tools i.e. Mean, Standard Deviation, Skewness, Standard Error of Skewness and Chi-Square.

It is evident that majority of the respondents are strongly agree with the statement No.1 that the SIDBI is a significant financial institution with regard to entrepreneurship development. The mean value of the respondents is lower than the average standard score i.e. 5 at five- point scale. The variation in the opinion is 1.4333, while skewness is .801. It shows that their opinion is distributed more towards lower side of the average score. The calculated value of χ^2 is significant at five percent level of significance. It shows that opinion of the respondents is not equally distributed. Thus, the above analysis leads to the conclusion that most of the respondents are strongly agreed with the significance of SIDBI in the promotion of entrepreneurship in the U.P.

As far as capability of financial institutions in providing finance and development assistance to entrepreneurs is concerned, the majority of the respondents are strongly agree. The mean value of the responses depicts the majority of the responses are lying towards lower side of the mean standard score at 5 point scale. The variation in the opinion and skewness are noted 1.4634 and .430 respectively. It further supports the above statement. Further the χ^2 value is significant at five percent level of significance. It shows that the

opinion of the respondents is not equally distributed. Thus, it can be concluded that they are satisfied with the above statement.

Table 7.1 Showing Statistical Analysis

No. of Responses	Scaling	Provision for SIDBI as a significant financial institution with regard to Entrepreneurship Development		Provision for institutions to provide finance and development assistance to Entrepreneurs		Provision of EDPs in development and promotion of MSMEs, employment generation, etc.		Provision for Various incentives and concessions provided by the Govt. for the promotion of Entrepreneurship and MEMEs		Provision for assessing the problems of MSMEs and entrepreneurship in getting their capital requirements from financial institutions	
		Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age
Strongly Agree	1	39	39.0	30	30.0	30.0	37.0	18	18.0	32	32.0
Agree	2	30	30.0	29	29.0	29.0	30.0	12	12.0	28	28.0
Uncertain	3	5	5.0	7	7.0	7.0	5.0	8	8.0	12	12.0
Disagree	4	13	13.0	19	19.0	19.0	15.0	30	30.0	19	19.0
Strongly Disagree	5	13	13.0	15	15.0	15.0	13.0	32	32.0	9	9.0
Total		100	100.0	100	100.0	100.0	100.0	100	100.0	100	100.0
Mean		2.3100		2.6000		2.3700		3.4600		2.4500	
S.D.		1.4333		1.4634		1.4401		1.4936		1.3512	
Skewness		.801		.430		.711		-.571		.509	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		39.200		18.800		34.400		22.800		19.700	
P		0.5		0.5		0.5		0.5		0.5	

Contd...

No. of Responses	Scaling	Provision to seek remedies and give pragmatic solutions for the promotion of MSMEs and Entrepreneurship		Provision of availability of financial resources for Entrepreneurship Development		Provision of Modern MSMEs is akin to the large scale industries in promotion of entrepreneurship, production facilities etc.		Provisions of Industrial policy should pay special attention to MSMEs to accelerate economic growth and promotion of entrepreneurship		Provision for MSMEs has a catalytic effect on the overall growth of the entrepreneurs and ultimately economic growth	
		Frequency	%age	Frequency	%age	Frequency	%age	Frequency	%age	Frequency	%age
Strongly Agree	1	33	33.0	33	33.0	29	29.0	36	36.0	24	24.0
Agree	2	35	35.0	35	35.0	33	33.0	24	24.0	34	34.0
Uncertain	3	10	10.0	10	10.0	8	8.0	12	12.0	9	9.0
Disagree	4	12	12.0	12	12.0	16	16.0	17	17.0	18	18.0
Strongly Disagree	5	10	10.0	10	10.0	14	14.0	11	11.0	15	15.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		2.3100		2.3100		2.5300		2.4300		2.6600	
S.D.		1.3158		1.3158		1.4175		1.4089		1.4086	
Skewness		.817		.817		.557		.544		.429	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		32.900		32.900		22.300		21.300		18.100	
P		0.5		0.5		0.5		0.5		0.5	

Contd...

No. of Responses	Scaling	Provisions for special policies framed by the Govt. for development of MSME sector are sufficient		Provision for adequate availability of finance for the entrepreneurial talent and development		Provisions of Financial norms of SIDBI for MSME units to avail loans under term up gradation fund scheme are suitable		Provision for the sanction and disbursement of financial assistance to MSME by SIDBI		Provision for change in SIDBI business strategy focusing more on direct assistance is beneficial and effective in promotion of entrepreneurship and MSMEs	
		Frequency	%age	Frequency	%age	Frequency	%age	Frequency	%age	Frequency	%age
Strongly Agree	1	17	17.0	33	33.0	24	24.0	16	16.0	22	22.0
Agree	2	31	31.0	31	31.0	34	34.0	21	21.0	37	37.0
Uncertain	3	14	14.0	11	11.0	9	9.0	10	10.0	12	12.0
Disagree	4	28	28.0	15	15.0	18	18.0	23	23.0	12	12.0
Strongly Disagree	5	10	10.0	10	10.0	15	15.0	30	30.0	17	17.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		2.8300		2.3800		2.6600		3.3000		2.6500	
S.D.		1.2875		1.3468		1.4086		1.4873		1.3953	
Skewness		.122		.666		.429		-.269		.538	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		16.500		24.800		18.100		11.300		21.500	
P		0.5		0.5		0.5		0.5		0.5	

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No. of Responses	Scaling	Provision for Restructuring of SFCs exposure and improvement in their financial health need some sacrifices from the part of SIDBI		Provisions for SIDBI towards catering the growing needs of MSMEs with the economy on upswing are immense		Provisions for development and support services provided by SIDBI are focused at MSME promotion are sufficient		Provision for programmes implemented for the promotion of MSMEs and entrepreneurship		Provisions of range of services i.e. institutional building and special purpose funds of SIDBI are helpful in promotion of MSMEs and Entrepreneurship	
		Frequ- ency	%age	Frequ- ency	%age	Frequ- ency	%age	Frequ- ency	%age	Frequ- ency	%age
Strongly Agree	1	15	15.0	15	15.0	17	17.0	17	17.0	14	14.0
Agree	2	31	31.0	25	25.0	16	16.0	22	22.0	25	25.0
Uncertain	3	12	12.0	13	13.0	6	6.0	10	10.0	9	9.0
Disagree	4	20	20.0	22	22.0	26	26.0	28	28.0	32	32.0
Strongly Disagree	5	22	22.0	25	25.0	35	35.0	23	23.0	20	20.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		3.0300		3.1700		3.4600		3.1800		3.1900	
S.D.		1.4175		1.4359		1.5204		1.4452		1.3831	
Skewness		.098		-.096		-.503		-.199		-.209	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		10.700		6.400		24.100		9.300		16.300	
P		0.5		0.5		0.5		0.5		0.5	

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No. of Responses	Scaling	Provision of SIDBI as a channel of assistance to MSMEs is helpful in fulfilling the requirements of Entrepreneurship and MSMEs		Provision of SIDBI's role as an apex bank to provide financial services to MSMEs and entrepreneurs		Provision of SIDBI in increasing the flow of credit to MSME sector for promotion of entrepreneurship and MSMEs		Provision of SIDBI's initiatives to fill the gap in the existing structure of credit delivery mechanism to MSME sector		Provision for consultancy services and training to MSMEs are helpful in promoting Entrepreneurship	
		Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age
Strongly Agree	1	10	10.0	10	10.0	12	12.0	11	11.0	18	18.0
Agree	2	19	19.0	19	19.0	16	16.0	17	17.0	24	24.0
Uncertain	3	14	14.0	14	14.0	11	11.0	12	12.0	12	12.0
Disagree	4	33	33.0	33	33.0	37	37.0	25	25.0	25	25.0
Strongly Disagree	5	24	24.0	24	24.0	24	24.0	35	35.0	21	21.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		3.4200		3.4200		3.4500		3.5600		3.0700	
S.D.		1.3118		1.3118		1.3362		1.4022		1.4373	
Skewness		-.439		-.439		-.565		-.540		-.062	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		16.100		16.100		23.300		20.200		5.500	
P		0.5		0.5		0.5		0.5		0.5	

Contd...

No. of Responses	Scaling	Provisions for Specialized/Tailor-made training courses are helpful in promoting MSMEs and Entrepreneurship		Provisions of SIDBI in coordinating the functions of Institutions engaged in financial assistance to MSMEs and Entrepreneurs		Provision of SIDBIs Micro-credit Schemes has emerged as a powerful tool of promoting Entrepreneurship and MSMEs growth		Provision for SIDBIs Memorandum of Understanding with SFCs including UPFC to help them to promote Entrepreneurship		Provision for more SIDBIs branches which are insufficient	
		Frequency	%age	Frequency	%age	Frequency	%age	Frequency	%age	Frequency	%age
Strongly Agree	1	17	17.0	11	11.0	29	29.0	20	20.0	13	13.0
Agree	2	27	27.0	19	19.0	22	22.0	35	35.0	10	10.0
Uncertain	3	9	9.0	9	9.0	8	8.0	15	15.0	7	7.0
Disagree	4	29	29.0	28	28.0	18	18.0	18	18.0	30	30.0
Strongly Disagree	5	18	18.0	33	33.0	23	23.0	12	12.0	40	40.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		3.0400		3.5300		2.8400		2.6700		3.7400	
S.D.		1.4065		1.4031		1.5745		1.3108		1.4115	
Skewness		-.050		-.522		.175		.416		-.888	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		13.200		21.800		12.100		15.900		40.900	
P		0.5		0.5		0.5		0.5		0.5	

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No. of Responses	Scaling	Provision of MSME in the Entrepreneurship Development of our country		Provision for challenges like technological obsolescence and inability to access Institutional credit due to Globalization and Liberalization		Provision of National Common Minimum Programme of Govt. emphasized the need to accelerate Entrepreneurship Development and MSMEs		Provisions of Schemes like Prime Minister Rozgar Yojana are successful in providing finance to educated youth for the promotion of Entrepreneurship		A provision of MSMEs Development Act, 2006 has fulfilled the needs felt and articulated by this segment	
		Frequ- ency	%age	Frequ- ency	%age	Frequ- ency	%age	Frequ- ency	%age	Frequ- ency	%age
Strongly Agree	1	52	52.0	31	31.0	25	25.0	11	11.0	17	17.0
Agree	2	20	20.0	40	40.0	35	35.0	18	18.0	33	33.0
Uncertain	3	6	6.0	10	10.0	10	10.0	7	7.0	9	9.0
Disagree	4	14	14.0	7	7.0	20	20.0	18	18.0	28	28.0
Strongly Disagree	5	8	8.0	12	12.0	10	10.0	46	46.0	13	13.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		2.0600		2.2900		2.5500		3.7000		2.8700	
S.D.		1.3694		1.3050		1.3286		1.4737		1.3458	
Skewness		.998		.973		.484		-.663		.140	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		70.000		42.700		22.500		46.700		20.600	
P		0.5		0.5		0.5		0.5		0.5	

Contd...

No. of Responses	Scaling	Provisions for exclusive EDPs for SC/ST, Women and Physically Challenged Persons are helpful in promoting Entrepreneurship		Provision of SIDBI to scale up the operations and reach out to underserved areas by developing Micro-finance intermediaries		Provision of SIDBI emerged as a single window for meeting the financial and development needs of MSMEs and Entrepreneurs		Provision for a comprehensive study should be conducted to access the needs and scope of Govt. intervention required for Entrepreneurship Development		Provision for relief of Excise duty in deserving cases for Entrepreneurship development is satisfactory	
		Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age
Strongly Agree	1	34	34.0	35	35.0	12	12.0	30	30.0	21	21.0
Agree	2	31	31.0	30	30.0	19	19.0	33	33.0	32	32.0
Uncertain	3	5	5.0	8	8.0	8	8.0	7	7.0	9	9.0
Disagree	4	18	18.0	15	15.0	29	29.0	13	13.0	27	27.0
Strongly Disagree	5	12	12.0	12	12.0	32	32.0	17	17.0	11	11.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		2.4300		2.3900		3.5000		2.5400		2.7500	
S.D.		1.4231		1.4063		1.4178		1.4663		1.3512	
Skewness		.616		.674		-.510		.587		.218	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		30.500		27.900		21.700		24.800		19.800	
P		0.5		0.5		0.5		0.5		0.5	

Contd...

No. of Responses	Scaling	Provision for developing of a capital market and stock exchange mainly for MSMEs to promote Entrepreneurship		Provision of SIDBI to pay the attention for the promotion of MSMEs and Entrepreneurship in U.P. like in NERs		Provisions of SIDBI to launch more RIP for creation of rural employment through Entrepreneurship Promotion in rural and semi-urban areas		Provisions of Programmes like 'Udyog Sadhna' on AIR run by IEDUP under SIDBI sponsorship are helpful in promoting Entrepreneurship and MSMEs		Provision of SIDBI's capacity building of MFIs and the micro-finance sector in general helps in the promotion of Entrepreneurship	
		Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age
Strongly Agree	1	40	40.0	37	37.0	39	39.0	25	25.0	33	33.0
Agree	2	30	30.0	23	23.0	25	25.0	39	39.0	25	25.0
Uncertain	3	5	5.0	12	12.0	8	8.0	13	13.0	10	10.0
Disagree	4	18	18.0	18	18.0	15	15.0	15	15.0	18	18.0
Strongly Disagree	5	7	7.0	10	10.0	13	13.0	8	8.0	14	14.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		2.2200		2.4100		2.3800		2.4200		2.5500	
S.D.		1.3301		1.4005		1.4549		1.2406		1.4590	
Skewness		.794		.537		.655		.673		.447	
Standard Error of Skewness		.241		.241		.241		.241		.241	
Chi Square (χ^2)		44.900		23.300		30.200		30.200		16.700	
P		0.5		0.5		0.5		0.5		0.5	

Contd...

No. of Responses	Scaling	Provision of SIDBI to take Strategic decision to give thrust to extension of Micro-finance in relatively underserved in comparison to southern regions		Provision of SIDBI to nurture and develop a few new intermediaries set up by experienced professionals to promote Entrepreneurship		Provision of SIDBI to provide need-based support by way of grant aimed at building the capacities of the intermediaries		Provision of SIDBIs Micro-credit schemes had a spill over effect of creating demand of hired labour		Provision of joint ownership of assets gained importance and dominance of men ownership came down due to the micro-credit schemes of SIDBI	
		Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age	Frequ-ency	%age
Strongly Agree	1	36	36.0	37	37.0	39	39.0	37	37.0	25	25.0
Agree	2	30	30.0	23	23.0	25	25.0	23	23.0	39	39.0
Uncertain	3	14	14.0	8	8.0	8	8.0	7	7.0	13	13.0
Disagree	4	16	16.0	17	17.0	15	15.0	23	23.0	15	15.0
Strongly Disagree	5	4	4.0	15	15.0	13	13.0	10	10.0	8	8.0
Total		100	100.0	100	100.0	100	100.0	100	100.0	100	100.0
Mean		2.2200		2.5000		2.3800		2.4600		2.4200	
S.D.		1.2109		1.5008		1.4549		1.4384		1.2406	
Skewness		1.4663		2.2525		2.1168		2.0691		1.5390	
Standard Error of Skewness		.680		.503		.655		.456		.421	
Chi Square (χ^2)		33.200		23.800		30.200		28.800		30.200	
P		0.5		0.5		0.5		0.5		0.5	

Source: Data collected through primary survey.

Table 7.1 shows that majority of the respondents strongly agree with their opinion regarding success of EDPs in the development and promotion of MSMEs, employment generation, poverty alleviation and balanced regional development etc. The mean value of the responses is lower than the average mean standard score at 5 point scale. The variation in the opinion and skewness are noted 1.4401 and .711 respectively. It shows that majority of the responses are distributed towards lower side of mean score. The χ^2 value is significant at five percent level of significance, which shows that the opinion of the respondents is not equally distributed. It leads to the conclusion that majority of the respondents do not have the same opinion over the statement and they are satisfied that EDPS are successful in the development and promotion of MSMEs, employment generation etc.

It is evident that majority of the respondents strongly disagree over the issue that various incentives and concessions provided by the government for the promotion of entrepreneurship and MSMEs are sufficient. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.4936, while skewness is -.571. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are not satisfied with the various incentives and concessions provided by the government for entrepreneurship and MSMEs promotion.

Table 7.1 exhibits that majority of the respondents strongly agree about the question of assessing the problems of MSMEs and Entrepreneurs in getting their capital requirements from financial institutions. The mean value of the responses is lower than the average mean standard score at 5 point scale. The variation in the opinion and skewness are noted 1.3512 and .509 respectively. The χ^2 value is significant at five percent level of significance; it leads to the conclusion that opinion of the respondents is not equally distributed over this

issue. It further suggests that majority respondents are strongly agree that the problems of MSMEs and entrepreneurs in getting their capital requirements from financial institutions should be assessed.

Respondents attitude towards the need to seek remedies and give pragmatic solutions having policy implications for the promotion of MSMEs and entrepreneurship has been analysed, on the basis of the opinion of the respondents it is observed that their opinion is distributed more towards lower side i.e. strongly agree. The mean value is noted lower than the average mean standard score at 5 point scale, while variation in the opinion and skewness are noted 1.3158 and .817 respectively. This supports the above analysis. Further χ^2 test is significant at five percent level of significance. It reveals that the opinion of the respondents is not equally distributed over this issue. Thus, above analysis leads to the conclusion that it is necessary to seek remedies and pragmatic solution for the promotion of entrepreneurship and MSMEs.

Table 7.1 depicts that majority of the respondents are either agreed or strongly agreed with the issue that availability of financial resources is one of the basic issue of entrepreneurship development. The mean value of the responses is lower than the average mean standard score at five-point scale. The variation in the opinion and skewness are noted 1.3158 and .817 respectively. The χ^2 value is significant at five percent level of significance. Thus, it can be concluded that majority of respondents are agree that availability of finance is the basic issue of entrepreneurship development.

Further, it is observed from the Table 7.1 that the majority of the respondents either agree or strongly agree regarding the statement that modern MSMEs is akin to the large scale industries in terms of technology, production facilities , labour intensity and promotion of entrepreneurship etc. The mean score of the responses is less than the average mean standard score at 5 point scale. The variation in the opinion and skewness are noted 1.4175 and .557 respectively. The χ^2 value is significant at five percent level of significance.

This reveals that the responses of respondents are not equally distributed over the issue. It is distributed more towards higher side of the average standard score, which supports the statement.

As far as need towards industrial policy to pay special attention to MSMEs in order to accelerate the economic development and promotion of entrepreneurship most of the respondents strongly agree or agree. The mean value is lower than the average standard score. The S.D. and skewness is observed 1.4089 and .544 respectively. The calculated value of χ^2 is significant at five percent level of significance which depicts that there is significant variation in the opinion of the respondents over the issue. The above analysis leads to the conclusion that their opinion is distributed more towards lower side. It further concludes that respondents are strongly agreed that industrial policy should pay special attention to MSMEs.

It is evident that majority of the responses are distributed more towards higher side over the statement that MSMEs has a catalytic effect on the overall growth to the entrepreneurs and ultimately economic growth of the country. The mean value of the respondents is lower than the average standard score i.e. 5 at five- point scale support the above opinion. The variation in the opinion is 1.4086, while skewness is .429. The calculated value of χ^2 is significant at five percent level of significance. It concludes that MSMEs has a catalytic effect on growth of entrepreneurship.

The majority of respondents strongly disagree with the statement that special policies framed by the government for the development of MSME sector and creation of a network of financing and infrastructural support to nurture MSMEs is sufficient. The mean value is noted to lower than the average standard score at 5 point scale, while variation in the opinion and skewness are noted 1.2875 and .122 respectively. This supports the above analysis. Further χ^2 test is significant at five percent level of significance. It shows that opinion of the respondents is not equally distributed. Thus, it can be

concluded that special policies framed by the govt. for MSME sector are not sufficient.

Further, it is observed from the Table 7.1 that majority of the respondents are either strongly agreed or agreed regarding the statement that inadequate availability of finance adversely affects the entrepreneurial talent and development. The mean score of the responses is less than the average mean standard score at 5 point scale. The variation in the opinion and skewness are noted 1.3468 and .666 respectively. The χ^2 value is significant at five percent level of significance. This reveals that the responses of respondents are not equally distributed over the issue. It is distributed more towards lower side of the average standard score, which supports the statement.

It is evident that majority of the responses are distributed more towards lower side over the statement that financial norms of SIDBI for MSME units to avail loans under term upgradation fund scheme are suitable. The mean value of the respondents is lower than the average standard score i.e. 5 at five- point scale support the above opinion. The variation in the opinion is 1.4086, while skewness is .429. The calculated value of χ^2 is significant at five percent level of significance.

Respondents, attitude towards the procedure for the sanction and disbursement of financial assistance to MSME by SIDBI is friendly; on the basis of the opinion of the respondents it is observed that their opinion is distributed more towards higher side i.e. strongly disagree. The mean value is noted lower than the average mean standard score at five point scale, while variation in the opinion and skewness are noted 1.4873 and -.269 respectively. This supports the above analysis. Further χ^2 test is significant at five percent level of significance. It reveals that the opinion of the respondents is not equally distributed over this issue. Thus, above analysis leads to the conclusion that procedure for the sanction and disbursement of financial assistance to MSME by SIDBI is not friendly.

It is evident that majority of the respondents agree or strongly over the statement that change in the SIDBI business strategy focusing more on direct assistance is beneficial and effective in promotion of entrepreneurship and MSMEs. The mean value is less than the average standard score, i.e. 5 at five-point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.3953, while skewness is .538. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are agree or strongly agree over the statement.

Table 7.1 shows that majority of the respondents agree on the issue the restructuring of SFCs exposure and improvement in their financial health need some sacrifices from the part of SIDBI. The mean value is less than the average standard score, i.e. 5 point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.4175, while skewness is .098. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are agree on the issue the restructuring of State Financial Corporations (SFCs) exposure and improvement in their financial health.

It is evident that majority of the respondents disagree or disagree over the statement that with the economy on upswing, opportunities for SIDBI towards catering the growing needs of MSMEs are immense. The mean value of the respondents is slightly lower than the average standard score i.e. 5 at five- point scale support the above opinion. The variation in the opinion is 1.4359, while skewness is -.096. The calculated value of χ^2 is insignificant at five percent level of significance thus; it is revealed that the statement is rejected.

Table 7.1 shows that majority of the respondents are disagreed or strongly disagreed over the issue that development and support services provided by SIDBI are focused at MSME promotion are sufficient. The mean

value is slightly less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.5204, while skewness is -.503. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are not in support the statement.

It is evident that majority of the respondents disagree or strongly disagree over the statement that programmes implemented for the promotion of MSMEs and entrepreneurship are effective. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.4452, while skewness is -.199. The calculated value of χ^2 is insignificant at five percent level of significance. It leads to the conclusion that majority of respondents are not satisfied with the programmes implemented for the promotion of MSMEs and entrepreneurship are effective.

It is evident that majority of the respondents are disagreed or strongly disagreed over the issue that range of services i.e. institutional building and special purpose funds of SIDBI are helpful in promotion of MSMEs and entrepreneurship. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.3831, while skewness is -.209. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are not satisfied over the above statement.

As far as Table 7.1 shows that majority of the respondents disagree over the issue that SIDBI as channel of assistance to help MSMEs are helpful in fulfilling the requirements of entrepreneurship and MSMEs. The mean value of the respondents is slightly lower than the average standard score i.e. 5 at five- point scale support the above opinion. The variation in the opinion is 1.3118, while skewness is -.439. The calculated value of χ^2 is significant at five percent

level of significance which reveals that SIDBI as channel of assistance are not helpful in fulfilling the requirements of entrepreneurship and MSMEs.

Table 7.1 exhibits that regarding SIDBI's role as an apex bank to provide financial services to MSMEs and entrepreneurs most of the respondents are disagreed or strongly disagreed. The mean value is lower than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.3118, while skewness is -.439. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents do not satisfied with the statement.

It is evident that majority of the respondents are disagreed over the issue that efforts of SIDBI in increasing the flow of credit to MSME sector for promotion of entrepreneurship and MSME. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higherside. The S.D. in the opinion is 1.3362, while skewness is -.565. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents considers that efforts of SIDBI in increasing the flow of credit to MSME sector for promotion of entrepreneurship and MSME are not satisfactory.

It is evident that majority of the respondents strongly disagree or disagree over the statement that SIDBI's initiatives to fill the gap in existing structure of credit delivery mechanism to MSME sector. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the 1.4022, while skewness is -.540. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are not with the SIDBI's initiatives.

Table 7.1 shows that majority of the respondents are disagreed or strongly disagreed over the issue that consultancy services and training to

MSMEs are helpful in promoting entrepreneurship. The mean value of the respondents is slightly lower than the average standard score i.e. 5 at five- point scale support the above opinion. The variation in the opinion is 1.4373, while skewness is -.062. The calculated value of χ^2 is insignificant at five percent level of significance which reveals that consultancy services and training to MSMEs are not helpful in promoting entrepreneurship.

It is evident that majority of the respondents are disagreed over the issue that specialized/tailor made training courses are helpful in promoting MSMEs and entrepreneurship. The mean value is less than the average standard score i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.4065, while skewness is -.050. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents do not support the statement.

Table 7.1 exhibits that respondents strongly disagree or disagree over the issue that SIDBI is successful in coordinating the functions of institutions engaged in financial assistance to MSMEs and entrepreneurs. The mean value is slightly less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.4031, while skewness is -.522. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are thinks that SIDBI is not successful in coordinating the functions of institutions engaged in financial assistance to MSMEs and entrepreneurs.

Table 7.1 exhibits that majority of respondents agree or strongly disagree over the issue that SIDBI's micro-credit schemes has emerged as a powerful tool of promoting entrepreneurship and MSMEs growth. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side.

The S.D. in the opinion is 1.5745, while skewness is .175. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that SIDBIs micro-credit schemes have emerged as a powerful tool of promoting entrepreneurship and MSMEs growth.

It is evident that majority of the respondents strongly disagree over the issue that SIDBI memorandum of understanding with SFCs including UPFC help them to promote entrepreneurship. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.3108, while skewness is .416. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are of the opinion that SIDBI memorandum of understanding with SFCs including UPFC to help them to promote entrepreneurship.

Table 7.1 shows that majority of the respondents strongly disagree or strongly disagree over the issue that SIDBIs number of branches are sufficient. The mean value is slightly less than the average standard score, i.e. 5 at five-point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.4115, while skewness is -.888. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are the opinion that SIDBI should increase its number of branches to promote MSMEs and entrepreneurship.

Table 7.1 exhibits that majority of respondents are strongly that MSME are one of the key of entrepreneurship development of our country. The mean value of the respondents is lower than the average standard score i.e. 5 at five-point scale support the above opinion. The variation in the opinion is 1.3694, while skewness is .998. The calculated value of χ^2 is significant at five percent level of significance which reveals that MSME should be developed in order to promote entrepreneurship development of country.

It is evident that majority of the respondents are agreed over the statement that entrepreneurs face challenges like technological obsolescence and inability to access institutional credit due to globalization and liberalization. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.3050, while skewness is .973. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents support the statement.

Table 7.1 shows that majority of the respondents agree or strongly agree over the statement that national common minimum programme of Govt. emphasized the need to accelerate entrepreneurship development and MSMEs. The mean value is less than the average standard score, i.e. 5 at five-point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.3286, while skewness is .484. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents thinks that national common minimum programme of Govt. emphasized the need to accelerate entrepreneurship development and MSMEs of India.

Table 7.1 exhibits that majority of respondents strongly disagree over the issue that schemes like Prime Minister Rozgar Yojana (PMRY) are successful in providing finance to educated youth for the promotion of entrepreneurship. The mean value is slightly less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards higher side. The S.D. in the opinion is 1.4737, while skewness is -.633. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents are thinks that schemes like PMRY should be promoted.

Table 7.1 shows that most of the respondents agree over the question that MSMEs Development Act, 2006 has fulfilled the needs felt and articulated by this segment. The mean value of the respondents is lower than the average standard score i.e. 5 at five-point scale support the above opinion. The variation in the opinion is 1.3458, while skewness is .140. The calculated value of χ^2 is significant at five percent level of significance. Thus it can be concluded that MSMEs Development Act, 2006 is in favour of MSME and entrepreneurs.

It is evident that majority of the respondents strongly agree or agree that exclusive EDPs for SC/ST, Women and Physically Challenged Persons are helpful in promoting entrepreneurship. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.4231, while skewness is .616. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents support such EDPs.

Table 7.1 shows that majority of the respondents strongly agree or agree over the issue that SIDBI needs to scale up the operations and reach out to underserved areas by developing micro-finance intermediaries. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.4063, while skewness is .674. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents considers that micro-finance intermediaries should be developed.

It is evident that majority of the respondents are strongly disagree or disagree over the issue that SIDBI emerged as a single window for meeting the financial and development needs of MSMEs and entrepreneurs. The mean value is less than the average standard score, i.e. 5 at five-point scale which shows that opinion of the respondents is distributed more towards higher side.

The S.D. in the opinion is 1.4178, while skewness is -.510. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that SIDBI has not emerged as a single window for meeting the financial and development needs of MSMEs and entrepreneurs.

As regarding the responses that a comprehensive study should be conducted to access the needs and scope of Government intervention required for entrepreneurship development most of the respondents are agreed or strongly agreed. The mean value is lower than the average standard score i.e. 5 at five- point scale support the above opinion. The variation in the opinion is 1.4663, while skewness is .587. The calculated value of χ^2 is significant at five percent level of significance.

Table 7.1 exhibits that majority of respondents agree that relief of excise duty in deserving cases for entrepreneurship development is satisfactory. The mean value is more than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.3512, while skewness is .218. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that govt. should give relief of excise duty in deserving cases for entrepreneurship development.

It is evident that majority of the respondents are either agreed or strongly agreed over the need for developing of a capital market and stock exchange for MSMEs to promote entrepreneurship. The mean value is less than the average standard score, i.e. 5 at five-point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.3301, while skewness is .794. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that a capital market and stock exchange should be developed for MSMEs to promote entrepreneurship.

As far as the issue is concerned that SIDBI should pay the attention for the promotion of MSMEs and Entrepreneurship in U.P. like in North eastern region (NER) majority of respondents strongly agree or agree. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.4005, while skewness is .537. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that SIDBI should pay the attention in U.P. like in NER to promote entrepreneurship.

It is evident that majority of the respondents are strongly agreed or agreed that SIDBI should launched more Rural Industries Programmes (RIPs) for creation of rural employment through entrepreneurship promotion in rural and semi-urban areas. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.4549, while skewness is .655. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents thinks that SIDBI should launch more RIPs.

As far as the issue is concerned that programmes like 'Udyog Sadhna on AIR run by IEDUP under SIDBI sponsorship are helpful in promoting entrepreneurship and MSMEs most of the respondents are agree or strongly agree. The mean value is less than the average standard score, i.e. 5 at five-point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.2406, while skewness is .673. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that such programmes should be promoted.

Table 7.1 shows that majority of the respondents are strongly agreed or agreed that SIDBI's capacity building with Micro Finance Institutions (MFIs) and the micro-finance sector in general helps in the promotion of

entrepreneurship. The mean value of the respondents is lower than the average standard score i.e. 5 at five- point scale support the above opinion. The variation in the opinion is 1.4590, while skewness is .447. The calculated value of χ^2 is significant at five percent level of significance which reveals that SIDBI's capacity building with MFIs and the micro-finance sector helps in the promotion of entrepreneurship.

Table 7.1 exhibits that most of the respondents are either strongly agree or agree over the issue that SIDBI should take strategic decision to give thrust to extension of micro-finance in relatively underserved in comparison to southern regions. The mean value is more than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.2109 while skewness is .680. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that majority of respondents think that SIDBI should take strategic decision to give thrust to extension of micro-finance.

It is evident that majority of the respondents strongly agree or agree over the issue that SIDBI should nurture and develop a few new intermediaries set up by experienced professionals to promote entrepreneurship. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.5008, while skewness is .503. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that SIDBI should nurture and develop a few new intermediaries set up by experienced professionals to promote entrepreneurship.

Table 7.1 exhibits that most of the respondents either strongly agree or agree that SIDBI should provide need-based support by way of grant aimed at building the capacities of the intermediaries. The mean value is less than the average standard score, i.e. 5 at five- point scale which shows that opinion of

the respondents is distributed more towards lower side. The S.D. in the opinion is 1.4549, while skewness is .655. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that SIDBI should provide need-based support by way of grant aimed at building the capacities of the intermediaries.

Table 7.1 shows that majority of the respondents are either strongly agreed or agreed that SIDBI's micro-credit schemes had a spill over effect of creating demand of hired labour. The mean value of the respondents is lower than the average standard score i.e. 5 at five- point scale support the above opinion. The variation in the opinion is 1.4384, while skewness is .456. The calculated value of χ^2 is significant at five percent level of significance which reveals that SIDBI's micro-credit schemes had a spill over effect of creating demand of hired labour.

Table 7.1 shows that majority of respondents are agree or strongly agree that dominance of the men in the matter of ownership of assets came down and joint ownership of assets gained importance due to the micro-credit schemes of SIDBI. The mean value is less than the average standard score, i.e. 5 at five-point scale which shows that opinion of the respondents is distributed more towards lower side. The S.D. in the opinion is 1.2406, while skewness is .673. The calculated value of χ^2 is significant at five percent level of significance. It leads to the conclusion that SIDBI's schemes are helpful in removing the dominance of men in the matter of ownership of assets.

Table 7.2

TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST:

**SHOWING TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST
VALUES OF PROVISION OF FINANCIAL NORMS OF SIDBI FOR
MSMESs AND ENTREPRENEURS UNITS TO AVAIL LOANS UNDER
TERM UPGRADATION FUND SCHEME.**

Name of the Groups	KS Z-Test Value
SIDBI Employees Vs MSMEs	.387
SIDBI Employees Vs Entrepreneurs	.518
MSMEs Vs Entrepreneurs	.518

Two-Sample Kolmogorov-Smirnov (KS) Z –Test for checking the provision of financial norms of SIDBI for MSMEs and entrepreneurs units to avail loans under term up-gradation fund scheme reveals that the KS Z-Test values are .387, .518 and .518 for SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs groups respectively which are less than the critical values at 0.05 percent levels. Hence, it cannot be regarded as significant. Therefore, the hypothesis is accepted with the conclusion that all the groups do not differ with regard to the fact that the financial norms are not suitable for MSMEs and Entrepreneurs.

Table 7.3

**SHOWING TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST
VALUES OF PROVISION FOR THE SANCTION AND DISBURSEMENT OF
FINANCIAL ASSISTANCE TO MSMEs BY SIDBI.**

Name of the Groups	KS Z-Test Value
SIDBI Employees Vs MSMEs	.516
SIDBI Employees Vs Entrepreneurs	.656
MSMEs Vs Entrepreneurs	.242

Analysis of the Two-Sample Kolmogorov-Smirnov (KS) Z –Test for checking the provision of sanction and disbursement of financial assistance to MSMEs by SIDBI shows that the KS Z-Test values are .516, .656 and .242 for groups SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs respectively which are less than the critical values at 0.05 percent levels. Therefore, it cannot be considered as significant and hence, the hypothesis is accepted. The analysis also reveals that all the groups have same opinion that the procedures of SIDBI for sanctioning and disbursement of loans to MSMEs and Entrepreneurship are not friendly for them.

Table 7.4

**SHOWING TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST
VALUES OF PROVISION FOR PROGRAMMES IMPLEMENTED FOR
THE PROMOTION OF MSMEs AND ENTREPRENEURSHIP.**

Name of the Groups	KS Z-Test Value
SIDBI Employees Vs MSMEs	.387
SIDBI Employees Vs Entrepreneurs	.380
MSMEs Vs Entrepreneurs	.621

For the provision of programmes implemented for the promotion of MSMEs and entrepreneurship the hypothesis according to Two-Sample Kolmogorov-Smirnov (KS) Z –Test is accepted. The values of KS Z-Test are .387, .380 and .621 for the three groups respectively, which are less than the critical values at 0.05 percent levels. Hence, it cannot be considered as significant. The analysis reveals that both the groups agree that the programmes implemented for the promotion of MSMEs and Entrepreneurship is not effective.

Table 7.5

**SHOWING TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST
VALUES OF PROVISION OF SIDBI AS A CHANNEL OF ASSISTANCE TO
MSMEs IN FULFILLING THE REQUIREMENTS OF
ENTREPRENEURSHIP AND MSMEs.**

Name of the Groups	KS Z-Test Value
SIDBI Employees Vs MSMEs	.387
SIDBI Employees Vs Entrepreneurs	.345
MSMEs Vs Entrepreneurs	.587

Channels of assistance to MSMEs and Entrepreneurs are the necessary requirement in fulfilling the requirements of MSMEs and entrepreneurs for the promotion of Entrepreneurship. But the situation as revealed by the survey was totally contrary to the reality. Two-Sample Kolmogorov-Smirnov (KS) Z –Test Values i.e. .387, .345 and .587 for groups, SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs respectively which are less than critical values at 0.05 percent level. Hence, it cannot be regarded as significant. Therefore, we accept the hypothesis with the conclusion that all the groups do not differ with regard to their opinion.

Table 7.6

**SHOWING TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST
VALUES OF PROVISION OF SIDBI IN INCREASING THE FLOW OF
CREDIT TO MSME SECTOR FOR PROMOTION OF
ENTREPRENEURSHIP AND MSMEs.**

Name of the Groups	KS Z-Test Value
SIDBI Employees Vs MSMEs	.387
SIDBI Employees Vs Entrepreneurs	.552
MSMEs Vs Entrepreneurs	.690

The test conducted in respect of the responses to SIDBI's efforts in increasing the flow of credit to MSMEs sector and its performance in the promotion of MSMEs and Entrepreneurship the hypothesis is accepted and reveals that all the groups do not differ with regard to SIDBI's effort in increasing the flow of credit for entrepreneurship development. The KS Z-Test values for SIDBI Employees Vs MSMEs is .387 for SIDBI Employees Vs Entrepreneurs is .552 and for MSMEs Vs Entrepreneurs is .690 which is insignificant at 0.05 percent level of significance.

Table 7.7

**SHOWING TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST
VALUES OF PROVISION OF SIDBI IN COORDINATING THE FUNCTIONS
OF INSTITUTIONS ENGAGED IN FINANCIAL ASSISTANCE TO MSMEs
AND ENTREPRENEURS.**

Name of the Groups	KS Z-Test Value
SIDBI Employees Vs MSMEs	.516
SIDBI Employees Vs Entrepreneurs	.725
MSMEs Vs Entrepreneurs	.449

SIDBI should successfully coordinate the functions of institutions engaged in extending the financial assistance to the MSMEs and Entrepreneurs. Analysis of responses of the three groups i.e SIDBI Employees Vs MSMEs, SIDBI Employees Vs Entrepreneurs and MSMEs Vs Entrepreneurs reveals the KS Z-Test values .516, .725 and .449 which are less than the critical values at 0.05 percent levels and therefore, cannot be regarded as significant. Therefore, the hypothesis is accepted with the conclusion that all the groups do not differ with regard that the provision of SIDBI is not successful in coordinating the functions of institutions engaged in financial assistance to MSMEs and entrepreneurs.

Table 7.8

**SHOWING TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST
VALUES OF PROVISION FOR SIDBI's BRANCHES.**

Name of the Groups	KS Z-Test Value
SIDBI Employees Vs MSMEs	.258
SIDBI Employees Vs Entrepreneurs	.242
MSMEs Vs Entrepreneurs	.518

There should be sufficient number of branches of SIDBI to facilitate the financial assistance to the entrepreneurs and MSMEs. But in the reality SIDBI has very few branches which are insufficient to cater the needs of the large number of entrepreneurs and MSMEs. Analysis of the Two-Sample Kolmogorov-Smirnov (KS) Z –Test for checking the provision of number of branches of SIDBI shows that the KS Z-Test values are .258, .242 and .518 for groups SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs respectively which are less than the critical values at 0.05 percent levels. Therefore, it cannot be considered as significant and hence, the hypothesis is accepted. The analysis also reveals that all the groups do not differ with regard to the opinion that SIDBI should open more branches for the promotion of entrepreneurship in U.P.

Table 7.9

**SHOWING TWO-SAMPLE KOLMOGOROV-SMIRNOV (KS) Z –TEST
VALUES OF PROVISION OF SIDBI TO LAUNCH MORE RIPs FOR
CREATION OF RURAL EMPLOYMENT THROUGH
ENTREPRENEURSHIP PROMOTION IN RURAL AND SEMI-URBAN
AREAS.**

Name of the Groups	KS Z-Test Value
SIDBI Employees Vs MSMEs	.387
SIDBI Employees Vs Entrepreneurs	.276
MSMEs Vs Entrepreneurs	.449

Two-Sample Kolmogorov-Smirnov (KS) Z –Test for analyzing the need of the Rural Industries programmes (RIPs) launched by SIDBI for creation of rural employment through Entrepreneurship promotion in rural and semi-urban areas reveals that the KS Z-Test values are .387, .518 and .449 for SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs groups respectively which are less than the critical values at 0.05 percent levels. Hence, it cannot be regarded as significant. Therefore, the hypothesis is accepted with the conclusion that all the groups do not differ with regard to the fact that the RIPs launched by the SIDBI are not sufficient for entrepreneurship promotion.

TESTING/VERIFICATION OF HYPOTHESES:

As discussed in chapter Ist the objectives of the present study are supported by the hypothesis that there is a role of Small Scale Industries Development Bank of India (SIDBI) in the promotion of entrepreneurship in Uttar Pradesh (U.P.). the present section is devoted to test the hypotheses of the study.

The following results have been derived after testing and verification of hypotheses:

- H₀₁ The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted with the conclusion that all the groups have similar opinion regarding the financial norms are not suitable for entrepreneurship development in U.P and finance acts as a constraint in the growth of entrepreneurship in U.P.
- H₀₂ The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted and it is concluded that by improving provision for the sanction and disbursement of financial assistance to MSMEs and Entrepreneurs SIDBI can slowly solve the problem of finance of entrepreneurs in U.P.
- H₀₃ The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted that the institutional arrangements for credit to small scale industries in U.P. have not been satisfactory.

H₀₄ The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted that the supply of credit to SSI in U.P. had not been satisfactory.

H₀₅ The calculated value of KS Z-Test is less than the critical values for group 'SIDBI Employees' Vs 'MSMEs', 'SIDBI Employees' Vs 'Entrepreneurs' and 'MSMEs' Vs 'Entrepreneurs', hence, the hypothesis is accepted with the conclusion that all the groups have similar opinion regarding the utilization of credit by SSI has not been satisfactory.

Conclusion

This chapter deals with the analysis and interpretation of data and evaluate the Role of SIDBI in the Promotion of Entrepreneurship in U.P. and testing of hypotheses. The next chapter furnishes a summary of findings, conclusion and suggestions recommendations and direction for future research.

THESIS

SUMMARY OF FINDINGS, CONCLUSION , SUGGESTIONS AND RECOMMENDATIONS

- ❖ Findings
- ❖ Conclusion
- ❖ Suggestions
- ❖ Recommendation
- ❖ Direction for Future research

SUMMARY OF FINDINGS, CONCLUSION, SUGGESTIONS AND RECOMMENDATIONS

Findings

Respondents opinion regarding role of SIDBI in the promotion of entrepreneurship in U.P., has been presented and analyzed in table – 1 and it is found that majority of the respondents agree with the questions of the questionnaire that the role of SIDBI is to be considered as an extremely important factor for the promotion of entrepreneurship in U.P. They feel that SIDBI is playing a very important role in the development of MSMEs and entrepreneurship in U.P.

Most of the respondents feel that SIDBI is the principal financial institution for the promotion, financing and development of MSMEs and entrepreneurship and it is also coordinating the activities of the agencies engaged in the promotion of MSMEs and Entrepreneurship in the state according to its pre-determined objectives. They feel that their potentialities are not fully utilized for enhancing productivity of this organization. While government and ministry of MSMEs have been helping SIDBI, the overall performance as regards higher productivity and efficiency has not been so encouraging.

SIDBI has evolved itself to meet the various requirements of MSMEs and entrepreneurship in U.P. by offering various financial products and resources like term loan assistance, working capital term loan, support organs delayed payment, foreign currency loan, and also by micro credit and indirect financial assistance.

During the financial year 2008, SIDBI recorded better operational achievements and strengthened its financial fundamentals. The Bank recorded the highest ever sanctions and disbursements during the year with sanctions

increasing by 45.6 percent and disbursements by 47.5 percent over the previous year. While the refinance support, which is a key function of the Bank, was enhanced by 76.4 percent, the Direct Credit flows to MSMEs by SIDBI increased by 18.0 percent during the year under review. The aggregate outstanding portfolio of the Bank crossed the Rs.20,000 crore mark for the first time and increased by 26.2 percent to Rs.20,226 crore as at March 31, 2008. As a result, the total assets of the Bank increased sizeably to Rs.23, 887 crore at the end of FY 2008.

Micro Finance, by reaching out to the poor, has emerged as a powerful tool for inclusive growth, poverty alleviation and women empowerment. At the same time, it is also a business opportunity for enlarging the credit portfolio of the Bank. The total credit sanctions under Micro finance during FY 2008 surged by 93.8 percent to Rs. 745.95 crore and disbursements by almost 100 percent to Rs.695.80 crore. The Micro credit outstanding as on March 31, 2008 was Rs.950.38 crore which showed a higher growth of 73.3 percent over the previous year. The Bank's Micro Finance support so far has benefited more than 50 lakh persons, mostly women.

During the year, with focused attention on business growth and better pricing of loan products, total income of the Bank increased by 38% to Rs.1,638 crore from Rs.1,187 crore during FY 2007. However, due to treatment of earlier / current year's cumulative contribution to the corpus of CGTMSE of Rs.317 crore as expenditure and providing for interest expenditure of Rs.174 crore on SIDBI Bonds held by Govt. of India which was waived in the previous year, net profit for the current year was lower at Rs.198 crore as against Rs.298 crore in the previous year. The total Reserves and Funds of the Bank increased from Rs.4,691 crore as on March 31, 2007 to Rs.4,810 crore as on March 31, 2008 and the Capital Adequacy Ratio was higher at 41.7 percent.

To conclude data in a meaningful manner and to find out the perceptions and opinions Mean, Standard Deviation, Skewness, Chi-square (χ^2) and KS Z-

Test test have been used in the Tables 7.1 and 7.2. There are 50 parameters in the Table 7.1 which measures these opinions effectively. Statistically there is no difference between the expected and the observed frequencies. According to the results of Chi-square (χ^2), it is observed that the calculated χ^2 values for almost all these 50 variables are greater than the table value (Table value of Chi-square (χ^2) 40.113) and are significant at 0.05 percent level of significance. Thus the Null Hypothesis (H_0) is rejected and Alternate Hypothesis is accepted as already the researcher has analysed that in many cases the mean value of the respondents is lower than the average standard score i.e. 5 at five- point scale. It shows that their opinion is distributed more towards lower side of the average score and opinions of the respondents are not equally distributed. Moreover, Two-Sample Kolmogorov-Smirnov (Ks) Z – Test using 5 parameters in Table 7.2 for checking the Hypothesis and it reveals that the KS Z-Test values for SIDBI Vs MSMEs, SIDBI Vs Entrepreneurs and MSMEs Vs Entrepreneurs groups are less than the critical values at 0.05 percent levels. Hence, it cannot be regarded as significant. Therefore, the Null Hypothesis (H_0) is rejected and Alternate Hypothesis is accepted with the conclusion that all the groups do not differ in their opinions. Hence, there is a significant difference among respondents over the opinion about role of SIDBI in the promotion of entrepreneurship in U.P. Therefore, the researcher concludes that there is a need for overall improvement in the functioning of SIDBI.

Conclusion

It may be stated that in the Indian setting where poverty and unemployment are widely prevalent, the development of broad-based entrepreneurship need not be over-emphasized. No doubt the development banks have initiated certain measures for the development of broad-based entrepreneurship in the country. But in a country where the industrial activity was considered as hereditary occupation and trading and financing backgrounds remained for a long time almost an exclusive source of

entrepreneurship, what the development banks have been doing in the direction of broad-based entrepreneurship development can be considered as nominal. The development banks should identify, on their own, the individuals with entrepreneurial traits and motivate them into entrepreneurial career by providing suitable training and other inputs necessary to set up industrial establishments. The contribution of development banks to the growth of small entrepreneurship in rural and backward areas has been negligible. The entrepreneurship development programmes (EDPs) conducted by development banks are, by and large, urban-oriented and, therefore, the entrepreneurship is still emerging from urban and metropolitan centers. In order to foster the growth of broad-based entrepreneurship in the country, the development banks should necessarily make a dent into the rural areas and identify the potential entrepreneurs and develop in them the traits/abilities required for entrepreneurial success.

Entrepreneurship, development and prosperity are closely inter-related and inter-dependent. Entrepreneurial development is considered a vital input for development of a country or of regions within the country. As a matter of fact, economic progress and prosperity depends upon available natural resources, accumulation of capital, technological advancement, discovery of other resources and the size and quality of human resources. But it is the entrepreneurial competence, skills and talents which make all the difference in the rate of progress and prosperity. Hence, entrepreneurial development in a country can easily be assessed on the basis of the level of development. "Absorption of technology, resource use, capital accumulation and capital deepening and broadening process call for, among other things, entrepreneurial initiative and entrepreneurial management. Difference in the rates of growth between countries is accounted for mainly in terms of differences in the availability of entrepreneurial talent and the 'social climate' which governs and conditions their motivational mechanism and their operational behaviour.

The history of entrepreneurship is indeed the history of man and of his civilization, of his progress and prosperity, of his competency, creativity and

innovativeness and of man's well being. Discovery of America by Columbus was his entrepreneurship; India's freedom is the result of entrepreneurship; adoption of the philosophy of mixed economy is regarded as the Nehru's entrepreneurship, establishment of socialistic system of governance was the Karl Marx's entrepreneurship; setting up of four **Pithas** (religious centres) at four corners of our country was the entrepreneurship of revered Adi Shankaracharya and so on. David H. Holt has remarked that "America was discovered by entrepreneurs and nourished by entrepreneurs, and United States became a world economic power through entrepreneurial activity. Entrepreneurship constitutes the driving force of the American dream. Japan's economic achievement and India's Info-tech development are also the result of entrepreneurship. During the 20th century, the names of Tata, Henri Ford, Gilbreth, Alfred Nobel and many others have become legends in the entrepreneurial world.

Entrepreneurship also forms an important part of economic studies. In economic theory, it is regarded one of the factors of production. Reversely, in the theory of economic development, it is considered as a catalyst of change and is responsible for innovation. This term was figured in economic literature in the 18th century only. However, this concept was given a central role in economics by Richard Cantillon. His entrepreneur was a bearer of risks and uncertainties. Adam Smith used the term enterpriser for entrepreneur in his treatise 'Wealth of Nations.' Similarly, other economists in different time periods also dealt with entrepreneurship in their writings. Among them, Frank H. Knight, J.B. Say, J.S. Mill, Marshall, Schumpeter, A.H. Cole and J.B. Clark are important.

Entrepreneurship is a creative and innovative force. It is the ability to bear risks; to face uncertainties; to manage complexities; and to undertake adventure. It is an ability to foresee future opportunities, create wealth and bring economic and noneconomic prosperity. Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment

of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources. Schumpeter described entrepreneurship as a force of 'creative destruction' whereby established ways of doing things are destroyed by the creation of new and better ways to get things done. It essentially consists of doing things that are not generally done in the ordinary course of business activities. It is a process of innovation that reallocates resources to new opportunities. In fact, entrepreneurship is a subtle force. It speeds up the process of change and, hence, it acts as a catalyst and change agent. Carl Menger described entrepreneurship as the process of converting resources into goods and services of value to consumers.

The person or institution who acts as an innovator, creator of wealth, risk-bear or allocator of resources is termed as an entrepreneur. Thus, entrepreneurs are those who take risks, bear uncertainties and use new technologies and methods. They are also called a creator of wealth and economic prophet. By offering better goods and services in effective and efficient manners, entrepreneurs deliver standard of living to the society. Entrepreneurs perform several important business functions, such as, risks bearing functions, decision-making functions, managerial functions, distributive functions, etc. Ability to bear risks and uncertainties, abilities to take decisions, foresightedness, firm determination, honesty, initiative, creativity, ability to cooperate, alertness, consistency, dependability, understanding of human behaviour, perseverance, etc. are the qualities of a successful entrepreneur. An entrepreneur is not only born, but also made.

Entrepreneurship, MSEs and economic development are closely interwoven and inter-dependent. MSEs act as foundation for entrepreneurs and entrepreneurship. MSEs are so called because of their own nature. In entrepreneurial term, small business is a very personal approach to creating new enterprises. Normally, an entrepreneur starts entrepreneurial activity first at micro or small scale and gradually expands its activities.

In the process of economic development small entrepreneurs play a very significant role. "Half to two-thirds of the businesses, all over the world, are small and medium enterprises. They comprise a widely divergent spectrum of establishments engaged in economic activities ranging from micro and rural enterprises to modern industrial units using sophisticated technologies. In fact, MSEs are growing, not only in number, but also in the market they serve. Small businesses represent nearly half of the U.S. GNP while providing employment for more than half the total non-farm workforce.

Regarding the role of MSEs in entrepreneurship development in the country the 'Approach Paper to the Tenth Plan (2002-07) remarks, "Small scale industries has a vital role to play in the process of industrialization providing a vehicle for entrepreneurship to flourish and valuable entry point for new entrepreneurs who can start small and then grow by. Small scale industries are also a vehicle for achieving a broader spread of industry."¹¹ It may be noted that the specific role of MSEs was also recognized in the Industrial Policy Resolution of 1948 which categorically mentioned that the cottage and small scale industries are better suited for utilization of local resources and for achievement of local self-sufficiency in certain types of essential goods.

The MSEs have vast potentials of growth because these are more suited for medium and low income group people of the country. Though these industries are much more suitable for rural masses, these are equally good for urban and semi-urban people. The potentials of MSEs may suitably be assessed on the bases of availability of labour force skilled, semiskilled and unskilled, cost of labour, readiness to change and government policies and programmes. The MSEs have vast potentials of reducing unemployment particularly rural unemployment and hence removing the problem of poverty. Increase in employment opportunities leads to better living and working conditions of the people and to uphold the dignity of labour. It is significant to note that average annual growth of overall employment (in both organized and unorganized sectors) declined continuously from 2.75 per cent in the period 1972-78 to 1.77 percent in 1983-88 but increased to 2.37 percent in the period 1987-94.

Regarding the prospects of MSEs, it may be said that these industries have bright prospects in India mainly because of increasing literacy rate and declining organized sector employment. If the educated youth of the country are provided adequate entrepreneurial training and other required facilities needed to start own vocations, there is no doubt that these industries could take a big leap.

The problems faced by the MSEs and the entrepreneurs involved in these industries may be put into two major categories:

- (i) Macro-level problems; and
- (ii) Micro-level problems.

Macro-level problems may further be divided into two parts:

- (a) Problems at the industry level; and
- (b) Problems at the export markets level.

The basic industry level problems, in brief, are insufficient infrastructure facilities, insufficient credit facilities, non-availability of better raw-materials, lack of research and development (R&D) facilities, lack of market information, problem of child labour and rising cost of raw materials.

The major problems at export markets level are: increasing competition, lack of awareness about the products of small industries in the minds of foreign buyers, lack of advertising and publicity abroad, lack of foreign market intelligence, and different tariff and non-tariff barriers. The unit level problems are: lack of working capital, lack of adequate credit facilities, lack of production and financial planning, lack of professional acumen, lack of marketing strategies both for domestic and export markets.

It is significant to note that "as most entrepreneurs are self-employed the price and competitiveness are dictated purely by the necessity of survival. They also do not enjoy the fall back support of institutions like banks (that is enjoyed by larger industries) and, therefore, cannot withhold supplies or indulge in hoarding. While this is the position of small production units whether traditional or modern, the situation is even worse in the case of the so called protected units."¹³ A study conducted by NSIC in 1979-80 showed that the SSI

suffered a disadvantage of not less than 15 percent in input costs alone.¹⁴ This sector has to face tough competition due to liberalization and globalization.

Economic Survey, 2006-07 remarks, "The process of economic liberalization and market reforms, while exposing the Indian MSEs to increasing levels of domestic and global competition, has also opened up attractive possibilities of access to larger markets and of stronger and deeper linkages of MSEs with larger enterprises. Improved manufacturing techniques and management processes can be sourced and adopted with greater ease. A robust and vibrant MSB segment can drive the benefits of these new opportunities provided appropriate enabling policies are put in place and measures for capacity building in public-private mode are also initiated.

In order to promote and strengthen MSEs several measures from time to time, have been taken by the central and state governments. In fact, the basic policy supports for MSEs have its roots in the Industrial Policy Resolution of 1956. The other support measures include excise exemption, credit under priority sector lending from commercial banks and other financial institutions, marketing support for government purchases, provision of infrastructural facilities in the forms of sheds, plots in industrial areas, technological support, training and entrepreneurship development, new management techniques, etc.

With a view to promoting entrepreneurship and thereby small scale industries several institutions have also been set up. The important institutions are: (i) National Small Industries Corporation (NSIC), (ii) Small Industries Development Bank of India (SIDBI), (iii) National Institute of Entrepreneurship and Small Business Development (NIESBD), (iv) Small Industries Corporation Development Organization (SIDO), (v) Khadi and Village Industries Commission (KVIC), (vi) National Research Development Corporation of India (NRDC), (vii) Central Social Welfare Board (CSWB), (viii) National Alliance of Young Entrepreneurs (NAYE) and (ix) District Industries Centres (DICs).

Recently, new initiatives and measures have been taken by the Government to enable MSEs enhance their competitive strength, address the challenges arising out of greater domestic and international competition and availing the benefits of global market access. The main measures and initiatives are as follows:

- (i) Enactment of the Micro, Small and Medium Enterprises Development Act, 2006. This Act provides the first-ever legal framework for recognition of the concept of "enterprise" comprising both manufacturing and services and includes micro, small and medium units.
- (ii) The Khadi and Village Industries Commission Act, 1956 has been amended to introduce several new features to facilitate professionalism in the operations and management of the Commission.
- (iii) A package for Promotion of Micro and Small Enterprises has been approved to address most of the problems of these enterprises like credit facility, cluster-based development, infrastructure, technology and marketing and support to women entrepreneurs.

The new millennium begins with a new environmental scenario. The policy of liberalization, privatization and globalization has kindled a new lamp for achieving a better standard of living of society world over. This policy has converted the vast world into a global village. Under this changed condition, the role of entrepreneurs has become very significant. It is also necessary that in the band of entrepreneurs women should also be motivated to take active part. Our young men and women after completing their education should plan their careers for job creation rather than seeking jobs. At this level, the role of institutions which have been set up for entrepreneurial development has become much more significant. The new generation should be imbued with the concept of self-employment. In order to promote entrepreneurship on modern lines to face the challenges and exploit the bright opportunities stored in the 21st century concerted efforts are essential. The governments both at the center and states, commercial banks and other financial institutions, specialized and

training institutions in the country and NGOs need to collaborate for developing men and women entrepreneurs in the country.

The whole study is divided into seven chapters. The chapter one had deals with the introduction of entrepreneurship, entrepreneurship development, small scale sector, distinction between small and cottage industries, role of small scale industries in the promotion of entrepreneurship and growth of small scale industries in national context. The chapter also includes statement of the problem, significance of the study, aims and objectives of the study, hypotheses and scope of the study. The chapter also takes into consideration statistical tools such as research methodology, research purpose, research approach, research strategy, probability sampling, data collection methods, questionnaire to collect the primary data, data collection methods, pilot study and limitations of the study.

The second chapter of the study had deals with the comprehensive review of literature and research gap. After a comprehensive review of literature the indicators of entrepreneurship development such as role of micro, small and medium enterprises (MSMEs) in the promotion, recommendations of various committees on employment generation; growth of micro, small and medium enterprises (MSMEs); trends in credit supplied to small scale industries; increasing competition in MSMEs; main factors affecting flow of credit to the SSI sector and appropriate measures for their redressal etc. have been identified. These indicators are basically used as the parameters of entrepreneurship development.

The third chapter concludes that many specialized financial institutions such as Industrial Financial Corporation of India (IFCI); National Industrial Corporation (NIDC); Industrial Development Bank of India (IDBI); State Financial Corporations (SFCs); Small Industries Development Organization (SIDO) and National Small Industries Corporation Ltd (NSIC) etc. are playing an important role in the development of entrepreneurship and micro, small and medium enterprises (MSMEs). These specialized financial institutions possess a great untapped potential for the promotion of

entrepreneurship and MSMEs development of our country and they should frame special policies for the promotion of entrepreneurship. In this chapter the researcher also studied nature, objectives and functions of these financial institutions.

The fourth chapter concludes that Uttar Pradesh (U.P.) one of the largest states in the country with an area of about 2.36 lakh sq. km, accounting for 9% of the total area with 71 districts. The population of the state is estimated to be 16.61 crore, rendering it as the most populous state. The state of U.P. per Capita Income of Rs. 5,983/-. The state has primarily an agro-based economy which employs 73% of the total workforce with the contribution of 43% to the state's domestic product. It also concludes that Small Industries Development Bank of India (SIDBI), has been providing financial assistance to the entrepreneurs and MSMEs and catering wide range of promotional and developmental needs of entrepreneurs and MSMEs through various tailor made programmes. SIDBI has taken several promotional and developmental initiatives in the state such as National Programme for Rural Industrialization, Micro Credit Scheme for Self Help Groups, Mahila Vikas Nidhi, Entrepreneurship Development Programme (EDP), Small Industries Management Programme (SIMAP), Skill-cum-Technology Upgradation Programme (STUP), Quality Management, Environment Management, Marketing Activities, Technology Upgradation Programme, Action Research, and Information Dissemination etc and sanctioned huge amount for these programmes for the promotion of entrepreneurship in the state. The SIDBI should impart impetus for the promotion of entrepreneurship through reforms based agenda and there is an immediate need to start more programmes and schemes in unexplored areas of U.P.

The fifth chapter concludes that the with a view to ensuring larger flow of financial and non-financial assistance to MSMEs and entrepreneurs the Small Industries Development Bank of India (SIDBI) was set up by the government of India under special act passed by Parliament in October 1989 and it started working on April 2, 1990. SIDBI is committed to developing a strong, vibrant

and responsive small-scale sector. SIDBI is now the principal Financial Institution for promotion, financing and development of small scale industries of the country. It coordinates the functions of existing institutions engaged in similar activities. Accordingly SIDBI has taken over the responsibility of administering Small Industries Development Fund (SIDF) and National Equity Fund (NEF). The chapter also concludes that Government should take full advantage of SIDBI in U.P. by providing all the necessary assistance to SIDBI in order to make its operations for the development of U.P. as an industrial hub. The chapter also concludes that SIDBI is an important source of finance to entrepreneurs and MSMEs and running several promotional and developmental schemes for the promotion of entrepreneurship.

The chapter six concludes that there are problems as well as prospects for the development of entrepreneurship and MSMES in Uttar Pradesh (U.P.). This has been acknowledged by the Government of India by the high priority it has accorded to the SSI sector. The Reserve Bank of India has also bestowed the status of priority sector to SSI lending by banks and various guidelines have been issued in this regard from time to time. Several internal and external factors have put considerable pressure on the performance of the SSIs, resulting in a number of them becoming sick. The incidence of sickness in SSI sector is showing an increasing trend and a large number of SSI units are identified as sick. It also concludes that finance plays an important role in accelerating the process of small scale industries development but the total amount of loan sanctioned to SSIs forms a very insignificant part of the total loans sanctioned to Indian industry and because of inadequate credit the SSI units are affected greatly and it result in their sickness and ultimate closure. Marketing is also an important factor for the survival and growth of firms and main problems of marketing in the Indian small scale sectors are product quality, service to customers, cost effectiveness, lack of proper market information and the mindset of entrepreneurs. Moreover the chapter concludes many other problems of entrepreneurship development such as problem of infrastructure, problem of management, problem of power,

high production cost, problem of raw material, lack of skilled personnel, Underutilization of capacity and lack of Research and Development facilities etc. On the other hand regarding future prospects of future prospects of small scale industries in India it is the number of units in SSI sector are continuously increasing and Government of India announces various schemes for the development of SSIs like establishment of various agencies for providing services for the development of SSIs and entrepreneurship like the Khadi and Village Industries Commission, All India Handloom and Handicraft Board, DICs, NSICs etc. The chapter also concludes that U.P. is well known industrial State in India. and it has made a significant headway in industrial development, the new industrial policies introduced by both Central and State Government seems to be quite bright for the future prospects of SSIs in U.P.

The seventh chapter concludes that Small Industries Development Bank of India (SIDBI) is playing an important role in the promotion of entrepreneurship in Uttar Pradesh (U.P.). But there is a need for change in strategy of SIDBI and critical review of the programmes and policies implemented by the SIDBI for the promotion of entrepreneurship in the state so that entrepreneurship and MSMEs can develop at their full potential.

The small-scale industries (SSIs) sector in India has played a very significant role in building a strong and stable national economy. It has helped in the removal of unemployment. It is called employment generation sector. The small-scale units employed 146.6 lakh people in 1994-95 and this number has consistently risen to 282.91 lakh people in 2004-05. Today it is producing more than 7,500 products accounting for almost 40 percent of total production of the manufacturing sector. The total export has increased country of raise from 9.6% in 1971-72 to 35% in 2000-01. The share of small-scale sector in manufacturing export is about 45 percent.

The registered number of small industrial units with SIDO (Small Industrial Development Organization) was 2.50 lakh in 1972. The total number of these units in 1998-99 went to 31.21 lakh. The volume of employment in small-scale sector stood at 282.91 lakh as on end of 2004-05.

The Government of India started a series of financial institutions since Independence to provide the term finance to the small industry. For this purpose they set up state-level financial institutions (SSFCs & SIDCs) for providing assistance at state level to the small-scale units. Now there are 18 SFCs at present. Seventeen of them have been set-up under Corporation Act 1951 by the respective state government as regional institution. They played an effective role in the development of small units and medium enterprises. SFCs assistance sectioned to SSI in 1992-93 was Rs. 1686 Crore and total assistance sanctions during 2003-04 was, 1,130 crore & total disbursement was Rs. 860 Crore.

The modern small-scale is akin to large and medium industries sector in term of technology in use, production facilities, labors, intensity, capital intensity etc. while traditional industries include segment like handloom, Khadi and village industries, handicraft, agriculture, coir, etc. these are generally artisan based, located mostly in rural or semi urban areas, with only nominal investment in plant and machinery.

The union budget 1999-2000 also declared a set of measures for small-scale sector including enfacement of eligibility limit for Excise exemption, a new credit insurance scheme, extension of the scope of priority lending to small-scale. During the era of planned development, the entire stress was an production of goods and services for meeting country's requirement and export by small-scale industries was confined to incidental surpluses or imbalances in supply and demand.

The small-scale industries have numerous problems. As the result many small scales units turn sick and large number have to close down. For solving the problem the govt. constituted Nayak Committee to evaluate the problem of small-scale relating finance and industrial sickness, which submitted its report in September 1992.

The SIDBI has played a very important role in the development of small-scale industries. The Small Industries Development Bank of India (SIDBI) is the principle financial institution for promotion, financing and

development of industries in SSI. SIDBI also co-ordinates the activities of agencies, which provide finance to small enterprises. SIDBI provide financial assistance to small-scale industry in country through channels of direct assistance, indirect assistance and development support services. It also provides assistance through various institutions like State Financial Industrial Development Corporation etc.

In setting of up SIDBI, the intention of Government of India was to ensure large flow of financial assistance to small-scale sector. SIDBI has already initiated steps for technological upgradation and modernization of existing units. It is expanding the channels for marketing the product of SSI sector in internal and international market. It is promoting in a big way employment oriented small-scale industries especially in semi-urban areas, to create a more employment opportunities and thereby checking migration of population to urban and metropolitan areas during the first seven and eight years of its existence (1990-98) Rs. 2410.0 crore & 7484.2 crore. Its sanctions was high in during 2000-01 10,820 crore in 2003-04 was 8220-& disbursement 4410.0 crore.

While extending financial assistance to the small-scale units scattered all over the country. SIDBI make use of the existing banking financial institution such as. Commercial banks, cooperative banks SFCs & SIDCs which have vast network of branches all over the country. As many as 70 institution are eligible for assistance from SIDBI. SIDBI's assistance over 70% was in the term of refinance. Since 1992-93 SIDBI has liberalized its terms of assistance and simplified procedures with a view to widen its scope for large coverage of schemes.

SIDBI has taken over the outstanding portfolio of IDBI relating Small-scale sector worth over Rs. 4000 crore. SIDBI is now the principal financial institution for promoting & development of small-scale industries (SSIs). Within a short span of time SIDBI has emerged as a major player in the field of finance for SSIs.

It can be concluded that (i) Entrepreneurs are cultivating a culture in SMEs directed towards employee involvement and empowerment; (ii) They are willing to introduce flexibility in the system to react to environmental changes; (iii) On the other hand employees working in the SMEs feel that they are not adequately empowered and there is a high degree of inflexibility in the internal environment. But all categories of employees do not have their views converging on common parameters; (iv) Thus, although in the view of entrepreneurs their firms leaning organizations, the employees do not feel so. The size and structure of such organizations can facilitate positive growth through a flexible organizational culture, which can help the entrepreneurs convert into learning organizations. But employee involvement through empowerment is a pre-requisite.

Entrepreneurship is a corner stone, which rejuvenates and revitalizes the economy. Entrepreneurs are persons who are industrious and creative thus find way to empower themselves and eventually contribute to the economic development. Indeed, small firms in combination with the large enterprises drive innovation and ultimately economic growth. New firms play a direct role in economic growth, with the introduction of new products. Recent research on entrepreneurship and economic growth reveals that high levels of new growing firms are strongly related with economic growth. Entrepreneurship is important in U.P. with a lot of potential. The U.P. entrepreneurs in micro and small enterprises are trying to use significant portions of their profits for expanding their enterprises, and others have been borrowing from the informal sector. However, the challenges for new and small businesses in U.P. are complex. As stated earlier, entrepreneurship development is often thwarted by a complex mix of economical, political, social and geographic factors. At the macro level, economic and political instability, poor quality of government infrastructure, low levels of support for new enterprise development, underdevelopment or semi skilled work force all contribute to the nation's current economic problems. The national, provincial and local governments should work hard to encourage both the domestic and foreign capital investments, which stimulate

the cash flow in the economy and thus develop entrepreneurial class in the country. Making the transition from a traditional subsistence economy to a developed economy is a long and slow process, and it's a journey on which U.P. has a long way to go.

A business incubator was often considered to be an ideal method for encouraging new business development and local economic development. Incubators provided facilities in which a number of new businesses grew with financial support, technical guidance and other supporting assistance. These new innovative businesses resulted in more jobs. Most of these new projects were classified as small businesses. Small businesses were more cost efficient in R&D than larger ones. Uncertainties like undercapitalization and lack of proper management were overcome by the new entrepreneurs while developing their business through incubator. The incubatees were given exposure in their areas of business, where experts in their respective fields shared experiences and knowledge. With the emergence of new entrepreneurs, job creation increased. This had improved the local economy. Greater opportunities were also created for public-private partnerships through the process. Incubators also lent a helping hand to the incubatees by identifying suppliers for sub-contracting, and purchasers for their products and services. Incubatees were also given opportunities to develop research activities into commercial opportunities for their new-product technologies. This strengthened the potential of the industry and created a competitive environment.

Suggestions:

On the basis of empirical findings the study makes the following suggestions having policy implications.

1. The SIDBI, banks and financial institutions should provide both the working capital and term loans, without delay to the SSIs.

2. In sanctioning of the quantum of credit facilities, there is a tendency to cut down the limits on an ad hoc basis on the plea that the units will require the full credit limit only when it goes into full production. There are often delays, subsequently for enhancing limits and the operations of the units suffer. The full working capital should therefore be sanctioned at the outset obviating the necessity for reference to sanctioning authority subsequently.
3. Financial guarantee to a reasonable extent may be given to small entrepreneurs to enable them to secure contracts for supply of goods and to carry out the work undertaken.
4. There must be accountability on the parts of District Industries Centre (DIC) and bank officials and the special tribunal should be established so that stringent action can be taken against the erring officials. There should be greater coordination between SIDBI and DIC.
5. SIDBI should follow uniform policy of providing need-based finance to small units.
6. It is suggested that before providing finance for any project the SIDBI should have a close look at the top management as well as the complete organizational setup.
7. Besides SIDBI, all the institutions and organizations, which are related with the working of SSIs, should set up a separate customer care department for the benefit of entrepreneurs.
8. It is suggested that the Government should ensure in coordination with SIDBI that all the facilities related to finance, marketing etc. needed by SSIs should be made available at one place so that entrepreneurs do not have to go to different parts of the city for a single work. This will save a lot of time.
9. SIDBI should provide project reports to the prospective entrepreneurs easily and at affordable cost.

10. The SIDBI in cooperation with banks and financial institutions should conduct specialized training programmes and seminars not only for their staff but also for the borrowers to bring about better understanding and coordination between them.
11. Banks and financial institutions should also take steps to bring about an attitudinal change in their officers and other functionaries dealing with the industrial units so that they adopt helpful attitude from pre-sanction stage and are able to win the confidence of their borrower.
12. The procedure of taking loans from SIDBI, banks and financial institutions should be simplified and more powers should be delegated to the branch manager so that unnecessary delays may be avoided.
13. The Government should be promoting the SSI units to develop Research and Development (R & D) facilities and concession should be given to those units, which have R & D facilities.
14. Efforts should be made by the Government in coordination with SIDBI to revive the sick units in the Industrial Estates and industrial areas .
15. SIDBI and other banks should go beyond the purview of lending and recovery. They should try to act as a friend philosopher and guide to small scale industry.
16. The government should take full advantage of the establishment of more SIDBIs branches in U.P. and provide all the necessary assistance to it in carrying out its operations successfully. Since, the efforts of the government towards the development of U.P. as an industrial hub of India have not been successful and the desired degree of success has eluded us. It is all the more important to involve agencies like SIDBI and assign them an increasingly greater role in the industrial development of U.P.
17. SIDBI should also equip their members with advanced skills through a development wing so that they can steadily increase their efficiencies.

18. Government should make concerted efforts in imparting proper education and training to employees engaged in SIDBI as they are valuable assets to the country. Employee should be encouraged by the state Government to innovate themselves in the production process. Effective motivation and reward system is highly desirable for this purpose.
19. Efforts are needed to develop more infrastructure facilities like road development, regular power supply, financial system, technology services, water supply etc. These infrastructure facilities are necessary for smooth functioning of small-scale enterprises. Development of industrial estates, industrial parks, SEZs can solve this problem to a large extent.
20. The small-scale enterprises depend more on their own funds and borrowed fund from non-banking sector as they are unable to get proper support from banks and other financial companies. The SIDBI is trying to provide these facilities but intermediaries involved in the system are creating problems for them. So it is desirable that SIDBI should try to bring transparency and effectiveness in its functioning. Prompt financial support should be arranged to small-scale enterprises. Targets should be set for S.S.E. sector for credit from banks, and financial instructions under priority sector lending. The lending rates should be reduced to prime lending rates.

Recommendations:

1. To encourage SIDBI to take up factoring for micro and small enterprises refinance at concessional rates from SIDBI should be introduced.
2. An exchange with focus on SMEs on relaxed listing requirements may be set up at the earliest, preferably with the involvement of NSE and SIDBI so as to enable the SMEs to come out with IPO at an affordable cost and within a reasonable time.
3. Government should propose independent Rehabilitation Fund with SIDBI for rehabilitation of sick SMEs. The fund may have a corpus of

Rs. 1000 crores. While 75% of the corpus could be earmarked for assisting the micro and small enterprises, balance could be utilized for assisting medium enterprises. This fund may be utilized for providing soft loans at a concessional rate of interest to MSMEs.

4. In order to encourage the entrepreneurs to innovate new ideas, it is necessary that venture capital/mezzanine finance should be encouraged. There should be a separate fund with the umbrella organization SIDBI which should help venture capital funds in meeting the finance requirements of small enterprises by way of equity/mezzanine finance/soft loans etc.
5. In rural and semi-urban areas, SIDBI need to play a more active role in the development of micro, small and medium enterprises. RBI/GOI may encourage SIDBI to take up micro, small and medium enterprise financing in a big way. However, the officers and staff of SIDBI posted in the branches have little knowledge of MSNEs financing and proper training needs to be imparted to them. RBI/Govt. may be requested for providing the necessary training and infrastructure to SIDBI for the same.
6. SIDBI should set up credit counseling centers which may offer free counseling on curative measures mainly to entrepreneurs or retail borrowers, exclusively for MSMEs. Such centers may be setup in major industrial towns/clusters of U.P.
7. In order to equip the MSMEs with the capacity to manage their business effectively and efficiently, all the stakeholders may set up enterprise development centers (EDC), providing comprehensive guidance and training not only for setting up new units but also provides continuing education on different aspects of successful management of existing business enterprises. The EDCs may provide Entrepreneurship development programmes for first generation entrepreneurs. The Govt. may provide grant upto Rs. 2.5 crores. The state Govt. may provide land for setting up such EDCs free of cost and SIDBI may defray a part of the

training costs @Rs. 5000 per trainee out of a fund to be created within SIDBI from out of contribution from Govt.

8. Being the apex financial institution for MSMEs, SIDBI may provide advisory services and participate in appraisal and financing of rehabilitation packages of MSMEs, even if it had no prior exposure in the same.
9. Although the Ministry of MSMEs, RBI and SIDBI, have taken several initiatives in promotion, financing and development of MSMEs in the country, the researcher feels that there should be an umbrella organization for overseeing the development of MSMEs sector with review to fully exploit entrepreneurial growth potential of our country, specially U.P.
10. It is suggested that the Ministry of MSMEs should be set-up in all states on the lines of center.
11. Since power shortage is one of the reasons for sickness in SMEs, it is suggested that Industrial Estate for SMEs should be provided independent power source.

Direction for future research:

The study has elaborately dealt upon role of Small Industries Development Bank of India (SIDBI) in the promotion of entrepreneurship in U.P. Further, research can be undertaken to study the role of SIDBI in all India level and other states too. Research can also be undertaken for other aspects of SIDBI such as micro-finance and role of SIDBI in the promotion of rural and women entrepreneurship.

Appendix-I

NEW NOMENCLATURE AND CLASSIFICATION OF MSME AS PER MEMED ACT, 2006

Enterprises	Manufacturing Enterprises (Ceiling on investment in Plant and Machinery)	Service enterprises (Ceiling on Investment in Equipment)
Micro	Rs. 25 lakh	Rs. 10 lakh
Small	Rs. 5 crore	Rs. 2 crore
Medium	Rs. 10 crore	Rs. 5 crore

QUESTIONNAIRE

The questionnaire has been designed to elicit the opinions of the employees of SIDBI, Ministry of MSMEs (not below the rank of assistant managers and supervisory level) and entrepreneurs regarding the role of SIDBI in the promotion of entrepreneurship in U.P. The questionnaire consists of 50 statements related to SIDBI, Entrepreneurship Development and MSMEs. For primary survey, a sample of 100 respondents (30 SIDBI employs, 30 MSME employs and 40 entrepreneurs) have been selected for the study to find out their opinion related to the of SIDBI in the promotion of entrepreneurship in U.P. The purpose of present questionnaire is to have the objective to improve the SIDBI's ability to achieve its goal by developing strategies that will result in optimum contribution of SIDBI in the promotion of Entrepreneurship.

I- General Information:

1. Name and address of the organization.
2. Name of the respondent.
3. Designation.
4. Year of establishment (only for MSMEs).

Instructions:- Please put Tick (✓) against the responses given below.

II- Statements:

1. Do you think SIDBI is a significant financial institution in India with regard to entrepreneurship development?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

2. Do you think that that several Institutions are capable of providing finance and development assistance to the Entrepreneurs?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

3. Do you think the EDPs are successful in generation of large scale employment, poverty alleviation, balanced regional development and promotion of MSMEs?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

4. Do you think that various incentives and concessions provided by the Govt. for the promotion of Entrepreneurship, MSMEs are sufficient?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
5. Is it necessary to assess the problems of MSMEs and entrepreneurship in getting their capital requirements from financial institutions?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
6. Is it necessary to seek remedies and give pragmatic solutions having policy implications for the promotion of MSMEs and entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
7. Do you think that one of the basic issues of Entrepreneurship Development is the availability of financial resources?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
8. Do you think that the modern MSMEs is akin to the large scale industries in terms of technology, production facilities, labour intensity, capital intensity and promotion of entrepreneurship etc?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
9. Do you think that the Industrial Policy should pay special attention to MSMEs in order to accelerate the economic development and promotion of entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
10. Do you think that the growth of MSMEs has a catalytic effect on the overall growth of the entrepreneurs and ultimately economic growth of the country?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

11. Do you think the special policies framed by the Govt. for the development of MSME sector and creation of a network of financing and infrastructural support to nurture MSMEs is sufficient?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
12. Do you think that the inadequate availability of finance adversely affects the entrepreneurial talent and the development of entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
13. Do you think that the financial norms of SIDBI for MSME units to avail loans (through direct assistance) route under the Term Upgradation Fund Scheme (TUFS) are suitable for MSMEs?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
14. Do you think that the procedure for the sanction and disbursement of financial assistance to MSMEs by SIDBI is friendly for them?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
15. In recent years SIDBI with a change in its business strategy has started focusing more on direct assistance and is attempting to reduce its exposure to SFCs and SIDCs. Do you think it is beneficial and effective for the promotion of MSMEs and entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
16. Do you think that restructuring of State Financial Corporations (SFCs) exposure and improvement in their financial health would be a long drawn process and may also need some sacrifices from the part of SIDBI?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
17. Do you think that with the economy on an upswing, opportunities for SIDBI towards catering the growing needs of MSMEs are immense?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

Agree

Disagree

18. Do you think that the development and support services provided by SIDBI are focused at MSME promotion with an emphasis on rural industrialization, human resource development of the MSME sector, technology upgradation, quality & environment management and information dissemination are sufficient?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

19. Do you agree that the programmes implemented for the promotion of MSMEs and entrepreneurship is effective?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

20. Do you think that the range of services i.e. institution building and special purpose funds of SIDBI are helpful in promotion of MSMEs and entrepreneurship?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

21. Do you agree that SIDBI, channel of assistance to MSMEs is helpful in fulfilling the requirements of entrepreneurs and MSMEs and promotion of entrepreneurship?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

22. Are you satisfied with SIDBI's role as an apex bank to provide financial services to MSMEs and entrepreneurs through an appropriate and responsive credit delivery system?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

23. Are you satisfied with SIDBI's effort in increasing the flow of credit to MSMEs sector since its inception and its performance in the promotion of MSMEs and entrepreneurship?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

24. Are you satisfied with SIDBI's initiatives to fill the gap in the existing structure of credit delivery mechanism to MSME sector, SIDBI's attempt to simplify the procedures, liberalization of old schemes and introduction of new schemes for the promotion of MSMEs and entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
25. Do you think that consultancy services and training to MSMEs are helpful in promoting Entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
26. Do you think that Specialized/ Tailor-made Training Courses are helpful in the promotion of MSMEs and Entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
27. Do you think that apart from extending financial assistance to the MSMEs sector and Entrepreneurs by SIDBI is successful in coordinating the functions of Institutions engaged in similar activities?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
28. Do you think that SIDBI's Micro-Finance Schemes has emerged as a powerful tool of promoting Entrepreneurship and MSMEs growth?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
29. Do you think that SIDBI Memorandum of Understanding (MOU) with SFCs including UPFC help them promote Entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
30. Do you agree that the number of SIDBI retail branches are sufficient?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

31. Do you think that MSMEs are one key of Entrepreneurship Development of our country?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
32. Do you think that with the Globalization and Liberalization of India's economy, the Entrepreneurs face challenges like Technological Obsolescence and inability to access Institutional Credit?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
33. Do you think that the National Common Minimum Programme (NCMP) of our Govt. emphasizes the need to accelerate Entrepreneurship Development and MSMEs growth?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
34. Do you think that schemes like Prime Minister Rozgar Yojana are successful in providing finance to educated youths for the promotion of Entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
35. Do you think that by enacting MSMEs Development Act, 2006 the Govt. has fulfilled the needs felt and articulated by this segment for long?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
36. Do you think that exclusive Entrepreneurship Development Programmes (EDPs) for SC/ST, Women and Physically Challenged Persons are helpful in promoting Entrepreneurship?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐
37. Do you think that SIDBI needs to scale up the operations and reach out to underserved areas by developing Micro-Finance intermediaries?
- Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

Agree

Disagree

38. Do you think that SIDBI emerged as a single window for meeting the financial and development needs of MSME sector and Entrepreneurs?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

39. Do you think that a comprehensive study should be conducted to access the needs and scope of Govt. intervention required for enhancing competitiveness of MSME sector and Entrepreneurship Development?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

40. Do you think that the relief of excess duty in deserving cases for Entrepreneurship development is satisfactory?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

41. Do you think there is a need for developing of a capital market and stock exchanges mainly for MSMEs to promote Entrepreneurship?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

42. Do you think that SIDBI should pay the special attention for the promotion of MSMEs and Entrepreneurship in Uttar Pradesh like in North Eastern Regions (NER)?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

43. Do you think whether more Rural Industries Programmes (RIP) should be launched by SIDBI for creation of rural employment through Entrepreneurship Promotion in rural and semi-urban areas?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

44. Do you think that programmes like 'Udyog Sadhna' on All India Radia (AIR) run by IEDUP under SIDBI sponsorship are helpful in promoting Entrepreneurship and MSMEs.

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

45. Do you think that SIDBI's Capacity building of Micro Finance Institutions (MFIs) and the Micro-Finance Sector in general helps the promotion of Entrepreneurship?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

46. Do you think that SIDBI should take strategic decision to give thrust to extension of Micro-Finance in States that were relatively underserved when compared with southern regions?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

47. Do you think that SIDBI should nurture and develop a few new intermediaries set up by experienced professionals to promote Entrepreneurship?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

48. Do you think SIDBI should provide need-based support by way of grant aimed at building the capacities of the intermediaries?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

49. Do you think that SIDBI's Micro-credit schemes have provided not only increased employment opportunities to underemployed family members but also had a spill over effect of creating demand of hired labour?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

50. Do you think that dominance of men in the matter of ownership of assets came and joint ownership of assets gained importance due to the micro-credit schemes of SIDBI?

Strongly Agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

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10/10, Madan Mohan Malviya Marg, Lucknow-226 001, India

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Fax # : +91-522-274506

Contact Person : Dr. Sailendra Narain – Managing Director

Website : <http://www.sidbi.com/>

Regional Offices :

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North Eastern Region :

IDBI building, Opp. Sentinel Press, G.S. Road, Guwahati-781 005,

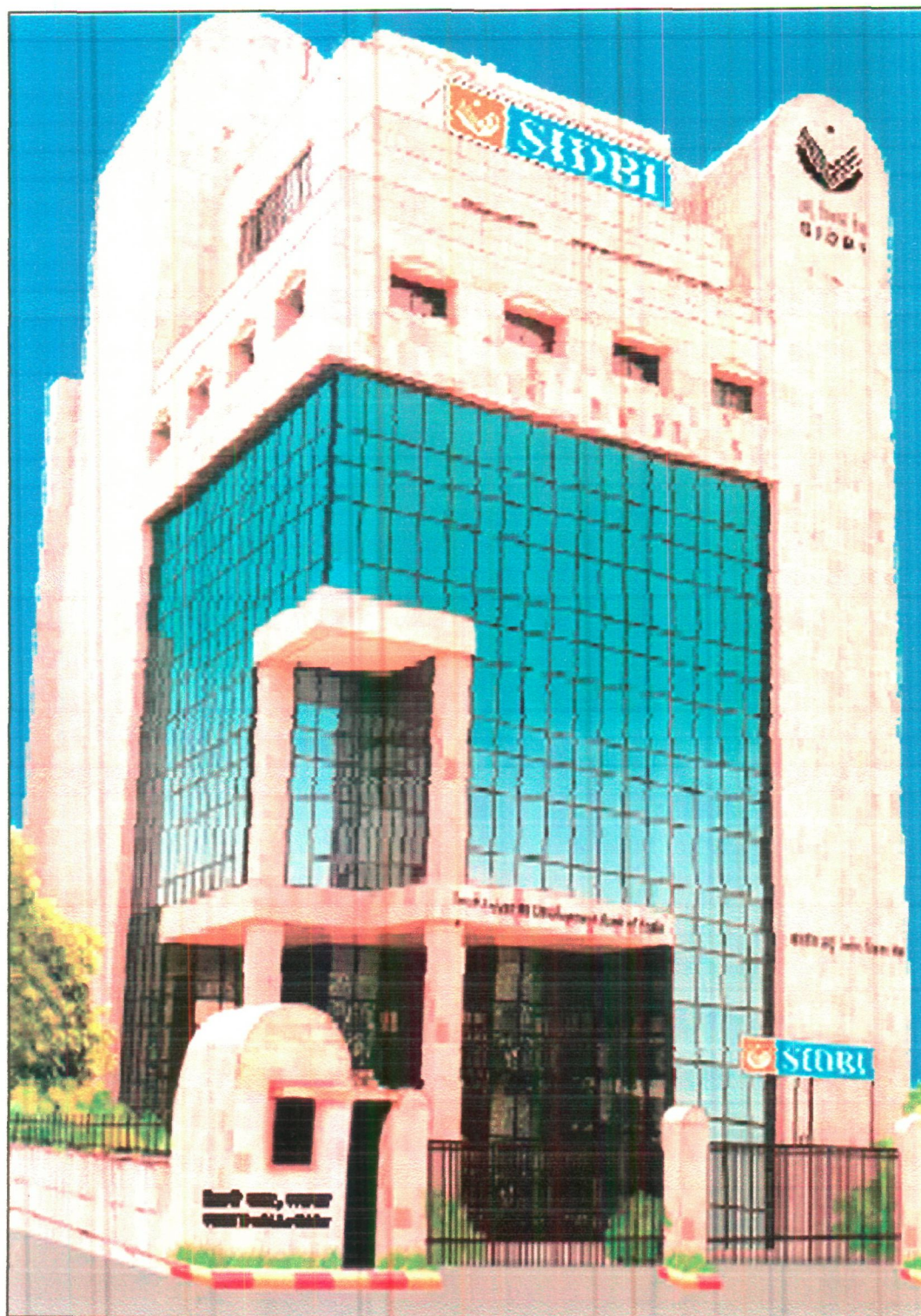
Tel# : +91-361-563922; Fax#: +91-361-56245

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SIDBI Head Office, Lucknow



Appendix-V

SIDBI , Progress at a Glance

	(Rs. Crore)				
	1990-91	2004-05	2005-06	2006-07	2007-08
Sanctions	2,410.1	9,090.6	11, 974.8	11,102.3	16,164.4
Disbursements	1,838.8	6,187.8	9,090.8	10,225.3	15,087.2
	1991	2005	2006	2007	2008
Capital- Authorized	500.0	1,000.0	1,000.0	1,000.0	1,000.0
Paid up	450.0	450.0	450.0	450.0	450.0
Reserves and Fund	449	4,309.4	4,56.3	4,691.0	4,809.8
Outstanding Portfolio	5,176.8	10,861.6	13,890.5	16,031.0	20,226.5
Total Income	425.1	947.7	963.5	1,187.3	1638.2
Net Profit	35.6	225.2	270.1	298.2	198.4
Dividend to Share holders	5.0	45.0	67.5	67.5	67.5
Return on outstanding portfolio (%)	0.7	2.1	1.9	1.86	0.98
Standard Assets as percentage of net outstanding portfolio	-	96.1	98.1	99.86	99.75
Capital to Risk Assets Ratio (%)	-	50.7	43.2	37.5	41.7

Source: SIDBI, Annual Reports 1990-91 to 2007-08

Appendix-VI

SIDBI Audited Financial Results for the Year ended March 31, 2007

(Rs. crore)

S. No.	Particulars	Quarter ended 31.03.07	Quarter ended 31.03.06	Quarter ended 31.02.07 (Audited)	Year ended 13.03.06 (Audited)	Consolidated Results	
						Year ended 31.03.07	Year ended 31.03.06
1.	Income from Operations	315	296	1,167	944	1,168	945
2.	Other Income	1	1	20	20	30	29
	Total income (1+2)	316	297	1,187	964	1,198	974
3.	Interest Expenses	142	120	585	476	585	476
4.	(a) Establishment Expenses (staff cost)	41	12	89	41	91	41
	(b) Other Expenses	20	27	54	58	55	59
	Total Expenditure (3+4)	203	159	728	575	731	576
5.	Depreciation	3	3	10	11	10	11
6.	Profit before Tax (1+2-3-4-5)	110	135	449	378	457	387
7.	Provision for Taxation Current (Asset/Liability)	50	23	160	108	163	111
8.	Net profit	69	112	298	270	303	276
9.	Paid-up Share Capital (comprising equality shares having face value of Rs.10/- each)	450	450	450	450	450	450
10.	Reserves (excluding Revaluation Reserves)	-	-	4259	4091	4272	4101
11.	Earning Per share (Rs.)	1.53	2.49	6.63	6.00	6.73	6.13
12.	Shareholding	No. of shares			% of shareholding		
	Financial Institutions	28,900,000			6.42		
	Insurance Companies	96,450,000			21.43		
	PSU Banks	324,650,000			72.15		
	Total	450,000,000			100.00		

Segment Reporting

(Rs. crore)

Segment	Segment Revenues/ Results		Segment	Other Information	
	FY2007	FY2006		FY2007	FY2006
Segment Revenue			Segment Assets		
Direct Finance	511	345	Direct Finance	6758	5483
Indirect Finance	399	231	Indirect Finance	9273	8407
Treasury	277	388	Treasury	3493	4738
Total Revenue	1187	964	Subtotal	19524	18628
Segment Results			Unallocated Assets	21229	20352
Direct Finance	203	160	Total Assets	21229	20352
Indirect Finance	187	77	Direct Finance	4349	3677
Treasury	115	207	Indirect finance	6683	6000
Total	505	444	Treasury	2947	4073
Unallocated Expenses	56	66	Subtotal	13979	13750
Operating profit	449	378	Unallocated Liabilities	2109	1569
Income Tax	151	108	Total	16088	15319
Net profit	298	270	Capital/Reserves/ Funds		
			Direct Finance	2053	1798
			Indirect Finance	2836	2863
			Treasury	252	372
			Subtotal	5141	5033
			Total Liabilities	21229	20362

Notes :

1. The above results have been taken on record by the Board of Directors at their meeting held on May 29, 2007.
2. The income has been arrived at after making provisions for Bad and Doubtful Debts and Contingencies as per RBI norms.
3. During the quarter 15 complaints were received from investors out of which no complaint is pending for disposal as on March 31, 2007. All complaints pending as at the end of the previous quarter have been disposed off.
4. The segment reporting for FY 2006 has been regrouped to conform to the current year's methodology.

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